



A Manual for the

Uniform Massachusetts Accounting System

for: Cities
Towns
Regional School Districts
Special Purpose Districts

Bureau of Accounts
July, 2012

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CHAPTER 1 – INTRODUCTION

Scope and Purpose

This Manual comprises the Uniform Massachusetts Accounting System (UMAS). The scope of the Manual is the operation of an accounting system for a local governmental entity in Massachusetts. Its purpose is to provide a reference for the City Auditor, Town Accountant or official with similar responsibilities in accounting for financial transactions and reporting results of municipal financial operations. The Manual is based on Generally Accepted Accounting Principles (GAAP), but is written to meet the particular needs of Massachusetts local accounting officials.

Massachusetts General Laws (G.L.) c. 44, § 38 requires the Director of Accounts in the Department of Revenue to prescribe uniform accounting systems for local governmental entities. Accounting for municipally owned electric light plants is prescribed in G.L. c. 164 and is regulated by the Department of Public Utilities; accounting for retirement systems is prescribed in G.L. c. 32 and is regulated by the Public Employment Retirement Administration Commission.

This Manual deals solely with accounting policies. Municipal financial issues such as budgeting or audit procurement are not included. Other publications of the Division of Local Services (DLS) address such subjects.

UMAS Accounting and Reporting

Much of the information is presented in general journal form to acquaint Massachusetts local governmental accounting officials with the basic entries to be made. If the guidance in the Manual is followed, accounting officials will be able to prepare a UMAS Balance Sheet and a UMAS based Schedule A.

Massachusetts local governmental accounting officials are encouraged to account for transactions in a uniform manner consistent with this Manual. Accounting officials are not required to change their fund structure to be consistent with Governmental Accounting Standards Board (GASB) pronouncements for UMAS Balance Sheet and Schedule A completion purposes.

Audited Financial Statement Reporting

If the local governmental entity is required by federal Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," to prepare audited financial statements, the statements must report consistent with GASB pronouncements including GASB 34 and GASB 54. The entity's UMAS Balance Sheet will serve as the basis for converting to this format.

Revisions

Future revisions will be announced on the DLS web-site subscription service for downloading. A list of revisions will be maintained in *Appendix A* to this Manual.

Effective Date

Accounting standards contained in this Manual are effective for fiscal years beginning on and after July 1, 2011. This Manual supercedes all earlier publications, including exposure drafts.

Additional DLS Publications

- A Practical Guide for Implementation of GASB Statement 34 for Massachusetts Local Governments;
- Enterprise Fund Manual;
- Developing a Capital Improvements Program: A Guide for Massachusetts Communities;
- Costing Municipal Services: Workbook and Case Study;
- A Guide to Financial Management for Town Officials;
- Municipal Finance Glossary;
- Informational Guideline Releases (IGRs) provide specific policies and procedures to implement new or changed legislation or annual requirements;
- Bulletins provide policies and procedures necessary to reflect changes due to governmental actions or economic conditions.

DLS Web-site

All of the publications may be found on our web site at <http://www.mass.gov/dls>

Gerard D. Perry
Director of Accounts

July 2011

CHAPTER 2 – UNIFORM ACCOUNTING CODES

In order to classify each financial transaction, an account classification and coding scheme must be developed. All cities, towns, regional school districts, educational collaboratives and special purpose districts using UMAS are required to use a standard system for classifying and coding accounting transactions.

Account Classification

Account classification is the arrangement of accounts by a definite scheme. It serves as the basis for budgeting, accounting, reporting and administrative control. UMAS classifies financial data in a three-level, hierarchical fashion as follows:

- First Level - Fund Account;
- Second Level - Type of Account and Reporting Category;
- Third Level - Subcategories.

For more on these levels, see Account Coding Structure below.

Uniform Chart of Accounts

Classification information must be recorded on the source document. This is done by developing an account coding scheme. The UMAS account coding scheme is called the Uniform Chart of Accounts.

The Uniform Chart of Accounts has been designed to improve the financial reporting, budgeting, accounting and management reporting of local governments in Massachusetts. The Chart provides a comprehensive, flexible and systematic arrangement of accounts for use in classifying and reporting financial transactions.

Account Coding Structure

The Fund account code has three digits; the first digit identifies the fund type and the remaining digits identify specific funds within the fund type. Below, there is a listing of fund codes and a short description of each fund and group of accounts.

The Type of Fund and Reporting Category account code has four digits; the first digit identifies one of the five major types of accounts: “1” Assets, “2” Liabilities, “3” Fund Equity, “4” Revenues, “5” Expenditures. The remaining digits identify the nature of the item (in the case of Assets, Liabilities and Fund Equity), the source (in the case of Revenues), the function and organization (in the case of Expenditures). Chapters 3 through 7 of this Manual detail these account codes.

The Subcategory account code may have three or four digits that identify additional detail where the local government desires such detail. For Assets, Liabilities, Fund Equity and Revenue accounts, these codes may be omitted. For Expenditure accounts, this code is used to identify the expenditure object. Expenditure objects are found in Chapter 7 of this Manual.

Illustrative Account Codes

Using the recommended coding discussed above, accounts of each type would be coded as follows:

Account Type	Fund Account Code	Type of Fund and Reporting Category	Subcategory Account Code	Account Title
Assets	001-	1010-	0000	Cash on Hand
Liabilities	001-	2010-	0000	Warrants Payable
Fund Equity	001-	3010-	0000	Net Assets Restricted
Revenues	001-	4000-	0000	Subsidiary Revenue Control
Expenditures	001-	5111-	5150	City Council, Fringe Benefits

The above codes, although illustrated for the General Fund, may be applied to all funds.

Fund Codes/Fund and Group of Accounts Descriptions

Governmental Funds

- 001** **General Fund** - Accounts for all financial resources except those required to be accounted for in another fund.
- 200 - 299** **Special Revenue Fund** - Accounts for the proceeds of specific revenue sources (other than those for major capital projects) that are restricted legally to expenditure for specified purposes.
- 300 - 499** **Capital Projects Fund** - Accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

500 - 599 Debt Service Fund and Permanent Fund - Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long term debt principal and interest. In Massachusetts, these funds are only allowed by special legislation.

Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (i.e., for the benefit of the government or its citizenry).

Proprietary Funds

600 - 689 Enterprise Fund – For UMAS accounting purposes, accounts for activities for which G.L. c. 44, §53F½ has been voted by the local legislative body or activities for which special legislation indicates that operations shall be pursuant to an Enterprise Fund.

For GAAP reporting purposes, accounts for activities for which a fee is charged to external users for goods or services. Accounts for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes." [GASB 34 and GASB codification 1300.104)

690 - 699 Internal Service Fund - Accounts for the financing of goods or services provided by one fund, department or agency to other funds, departments, or agencies of the financial reporting entity, or to other governments, on a cost reimbursement basis.

Fiduciary Funds

700 - 799 Pension (and other employee benefit) Trust Fund - Accounts for assets of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans held by a government in a trustee capacity.

800 - 849 Investment Trust Fund - Accounts for the external portion of investment pools (including individual investment accounts) reported by the sponsoring government.

- 850 - 899 Private-Purpose Trust Fund** - Accounts for trust arrangements, including those for escheat property, where principal and income benefit individuals, private organizations, or other governments.
- 900 - 999 Agency fund** - Accounts for assets held by a government in a purely custodial capacity.

Account Groups

- 010 General Fixed Assets Account Group** - A self-balancing group of accounts established to account for fixed assets of a government not accounted for through specific Proprietary Funds or Trust Funds.
- 050 General Long-Term Obligations Account Group** - A self-balancing group of accounts established to account for general long-term debt of a government that has not matured. The General Long-Term Obligations Account Group is also used to report that portion of liabilities for claims, judgments, compensated absences, and unfunded pension contributions of governmental funds and certain Fiduciary Funds not expected to be liquidated through the use of expendable, available financial resources.

CHAPTER 3 – ASSETS

Balance Sheet Accounts

The Balance Sheet includes accounts for assets, liabilities and fund equity, control accounts for revenue and expenditures, and certain budgetary and memorandum accounts. The word “budgetary” or “memorandum” has been inserted in parenthesis after these accounts in the fund equity section in order to clearly distinguish them.

The following chapters present Balance Sheet accounts:

- Chapter 3 – Assets;
- Chapter 4 – Liabilities;
- Chapter 5 – Fund Equity

Asset Accounts

All asset accounts are prefaced with a “1”, (e.g. General Fund, Cash on Hand: 001-1010). Since all numbers in a range are not assigned, local governmental units that wish additional detail may use unassigned numbers. Use of the available numbers should remain logically consistent with the structure provided by the assigned numbers.

Assets Classification and Account Codes

<u>Subheading</u>	<u>Codes</u>
• Cash	1000 – 1099
• Investments	1100 – 1199
• Taxes and Excises Receivable	1200 – 1299
• Accounts Receivable	1300 – 1399
• Special Assessments Receivable	1400 – 1499
• Notes Receivable	1500 – 1549
• Accrued Interest Receivable	1550 – 1599
• Due from Other Funds	1600 – 1699
• Due from Other Governments	1700 – 1799
• Other Assets	1800 – 1899
• Restricted Assets	For financial reporting only
• Property, Plant and Equipment	1900 – 1989
• Amounts to be Provided	1990 – 1999

A summary table of all asset accounts and account codes is found in Appendix B to this Manual.

Cash

- 1010 Cash on Hand – The amount of currency, checks, money orders and bank drafts in the possession of an official or agent designated as the custodian of those funds. The account is generally used only at year end.

DEBIT – at year end with the amount of cash on hand and waiting processing

CREDIT – when the cash is processed by the Collector and/or Treasurer

- 1020 Petty Cash – A sum of money, either in the form of currency or a special bank deposit set aside to cover small purchases. At certain intervals, an itemized voucher is submitted for the amount of disbursements made from Petty Cash. The disbursements are charged to the fund or funds that purchased the items. The total of petty cash plus disbursements not replenished must always equal the fixed sum of cash set aside (called the imprest concept). Separate Petty Cash accounts should be set up for each fund or department that uses one.

DEBIT – when the fund is originally established or when increased

CREDIT – when the fund is decreased or eliminated

- 1040 Cash – Unrestricted – The balance of all demand deposit accounts in a bank or similar depository immediately available for general operating activities.

DEBIT -when cash is deposited or transferred from any other general ledger cash account

CREDIT – when cash is paid or transferred to any other general ledger cash account

- 1060 Cash – Restricted – The balance of all demand deposit accounts in a bank or similar depository restricted to one or more specific uses.

DEBIT – when cash is deposited or transferred from any other general ledger cash account

CREDIT – when cash is paid or transferred to any other general ledger cash account

Investments

Note: Adjust the investments to reflect their market value annually. See revenue account 4890, Gain or Loss in Investment Portfolio.

1110 Short Term Investments – The purchase price of investments.

DEBIT – with the full cost of the investment when made

CREDIT – with the original cost of the investment when redeemed

1185 Unamortized Premium on Bonds – The unamortized portion of the amount paid for bonds over their face value. If the market value of bonds, on the date of donation, was greater than the face value, the difference would be posted to this account.

DEBIT – with the premium amount when the premium is received on the purchase of the security

DEBIT – when a bond is donated with a market value greater than the face value

CREDIT – when the premium is amortized over time

1186 Unamortized Discounts on Bonds (Credit) – The unamortized portion of the amount paid for bonds less than their face value.

DEBIT – when the discount is amortized over time

CREDIT – with the discount amount when the bond is sold at less than face value

CREDIT – when a bond is donated with a market value less than the face value

1190 Long Term Investments – The cost of any long term investments purchased for investment or the market value of donated investments at any time they are donated.

DEBIT – with the initial cost (market value of donated stocks)

CREDIT – with the initial cost (market value at the time of liquidation for donated securities)

Taxes and Excises Receivable

Note: For many of these accounts, the balances should be maintained by year of levy.

- 1210 Personal Property Taxes Receivable – The uncollected amount of personal property taxes committed for collection. Separate accounts must be established by year of levy.

DEBIT – when the taxes are committed by the Assessors
DEBIT – when refunds are issued for overpayments
CREDIT – when payments are received
CREDIT – when abatements are issued

- 1220 Real Estate Taxes Receivable – The uncollected amount of real estate taxes committed for collection. Separate accounts must be established by year of levy.

DEBIT – when the taxes are committed by the Assessors
DEBIT – when refunds are issued for overpayments
DEBIT – when tax liens are rescinded
CREDIT – when payments are received
CREDIT – when abatements are issued
CREDIT – when tax liens are taken

- 1230 Allowance for Abatements and Exemptions (Credit) – The unused portion of amounts provided in the tax levy for abatements and exemptions, also known as “Overlay.” Abatements resulting in refunds should be accounted for in the same manner as overpayments of taxes. Separate accounts should be established by year of levy.

DEBIT – when abatements or exemptions are issued by the Assessors
DEBIT – when the Assessors declare surplus amounts
CREDIT – when the tax rate is certified with the amount provided for abatements and exemptions
CREDIT – if a debit balance remains at year end, transfer the deficit to account 3594, Unreserved Fund Balance – Unprovided Abatements and Exemptions

- 1240 Tax Liens Receivable – The uncollected amounts of real estate taxes, special assessments and utility liens added to taxes that are delinquent and, along with their respective interest and other charges, were transferred to liens. Separate accounts should be established by year of levy.

DEBIT – when the property involved is lienied by the Collector
DEBIT – when refunds are issued for overpayments
CREDIT – when payments are received
CREDIT – when accounts are foreclosed
CREDIT – when abatements or exemptions are granted
CREDIT – when liens are disclaimed

- 1250 Property Tax Receivable – Community Preservation Act – The uncollected amount of Community Preservation Act taxes committed for collection.

DEBIT – when Community Preservation Act taxes are committed by the Assessors

CREDIT – when Community Preservation Acts tax payments are received

- 1251 Estimated Personal Property Taxes Receivable – The uncollected amount of estimated personal property taxes committed for collection.

DEBIT – when estimated personal property taxes are committed by the Assessors

CREDIT – when payments are received

- 1252 Estimated Real Estate Taxes Receivable – The uncollected amount of estimated real estate taxes committed for collection.

DEBIT – when estimated real estate taxes are committed by the Assessors

DEBIT – when taxes are billed in advance

CREDIT – when payments are received

- 1253 Deferred Property Tax Receivable – Taxes receivable from owners of real property who have entered into tax deferral and recovery agreements with the Board of Assessors. (G.L. c.59, § 5, cl. 18A, 41A)

DEBIT – annually, with the amount of taxes for properties covered by such agreements

CREDIT – when recovery is made (normally when a property is sold or ownership is otherwise transferred)

- 1254 Taxes Receivable in Litigation– The uncollected amounts of real estate and personal property taxes that are the subject of court action.

DEBIT – when the suit is filed with the full amount of the taxes, interest and charged owed

CREDIT – when payments are received

CREDIT – when abatements are issued

- 1255 Unbilled Real and Personal Property Taxes Receivable – The estimated unbilled property taxes receivable at year end. This is a temporary asset account to be used when a tax rate has not been approved by year end.

DEBIT – at year end in the amount of the estimated property tax levy
CREDIT – when the actual levy is committed

- 1260 Motor Vehicle Excise Receivable – The uncollected amount of motor vehicle excise committed for collection. Separate accounts should be established by year of levy.

DEBIT – when the excises are committed by the Assessors
DEBIT – when refunds are issued for overpayments
CREDIT – when payments are received
CREDIT – when abatements are issued

- 1270 Boat Excise Receivable – The uncollected amount of boat excise committed for collection. Separate accounts should be established by year of levy.

DEBIT – when the excise is committed by the Assessors
DEBIT – when refunds are issued for overpayments
CREDIT – when payments are received
CREDIT – when abatements are issued

- 1280 Farm Animal Excise Receivable – The uncollected amount of farm animal excise committed for collection. Separate accounts should be established by year of levy.

DEBIT – when the excise is committed by the Assessors
DEBIT – when refunds are issued for overpayments
CREDIT – when payments are received
CREDIT – when abatements are issued

- 1290 Classified Forestlands Tax Receivable – The uncollected amount of classified forestland tax committed for collection. Separate accounts should be established by year of levy. The forest products tax was repealed in 2006.

DEBIT – when the tax is committed by the Assessors
DEBIT – when refunds are issued for overpayments
CREDIT – when payments are received
CREDIT – when abatements are issued

- 1299 Allowance for Uncollectible Excises (Credit) – The portion of net excises receivable (the total of accounts 1260 through 1298) estimated to be uncollectible. The account is a valuation account necessary for proper financial statement presentation and set up at the time of closing and reversed in a subsequent period.

DEBIT – when the original entry is reversed to open the subsequent period

CREDIT – at period end with the estimated uncollectible excises

Accounts Receivable

- 1310 User Charges Receivable – Amounts owed to the local unit for services provided directly to users. Typically, they will be used primarily by Enterprise Funds. Most local units should use a single account (e.g., 1310) with segregation provided by fund.

DEBIT – when the bills are committed by the responsible official(s)

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when abatements are issued

CREDIT – when delinquent amounts are transferred to Utility Liens Added to Taxes

- 1320 Other Service Receivable – The amounts of any other municipal service receivables due but not yet collected or abated that are not direct user charges or departmental receivables.

DEBIT – when the bills are committed by the responsible official(s)

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when delinquent accounts are abated

CREDIT – when delinquent amounts are transferred to Utility Liens Added to Taxes

- 1330 Utility Liens Added to Taxes – The amounts of unpaid utility billings that are delinquent and have been added to taxes. Separate accounts should be established by year of levy.

DEBIT – when delinquent amounts are added to taxes

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when abatements are issued

CREDIT – when delinquent amounts are transferred to Tax Liens Receivable

- 1340 Departmental Receivables – The uncollected amount of any departmental receivables, other than those pertaining to Enterprise Funds, committed to the Collector by the various departments for collection. Separate accounts would normally be established by department.

DEBIT – when the bills are committed by the responsible official(s)

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when delinquent accounts are abated

- 1399 Allowance for Uncollectible Receivables (Credit) – The portion of accounts receivable (the total of accounts 1300 through 1398) estimated to be uncollectible. This account is a valuation account necessary for proper financial statement presentation and set up at the time of closing and reversed in the subsequent period.

DEBIT – when the original entry is reversed to open the subsequent period

CREDIT – at period end with the estimated uncollectible amounts

Special Assessments Receivable

Note: For many of these accounts, the balances should be maintained by year of levy.

- 1410 Unapportioned Special Assessments – The costs incurred on completed special projects assessed to the benefited taxpayers but have not yet been paid, abated, suspended, deferred or apportioned.

DEBIT – when committed by the Assessors

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when assessments are apportioned, suspended or deferred

CREDIT – when abatements are issued

- 1420 Apportioned Assessments Added to Taxes – The uncollected amounts of apportioned or suspended assessments due added to taxes. Separate accounts should be established by year of levy.

DEBIT – when committed by the Assessors

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when abatements are issued

CREDIT – when delinquent accounts are transferred to Special Assessments Tax Liens

- 1430 Committed Interest Added to Taxes – The interest committed for collection on special assessments. Separate accounts should be established by year of levy.

DEBIT – when committed by the Assessors

DEBIT – when refunds are issued for overpayments

CREDIT – when payments are received

CREDIT – when abatements are issued

CREDIT – when delinquent accounts are transferred to Special Assessments Tax Lien

- 1440 Apportioned Assessments Not Yet Due – The amounts of unapportioned assessments apportioned or deferred over a series of future years in accordance with G.L. c. 80, §13. They should be segregated by the year due and by project.

DEBIT – when apportioned by the Assessors

CREDIT – when committed for collection in the current fiscal year

CREDIT – when abatements are issued

CREDIT – when apportioned assessments paid in advance are allocated to the current fiscal year

- 1460 Suspended Assessments – The amounts of unapportioned assessments suspended or deferred to a specific future year. They should be segregated by the year due and by project.

DEBIT – when the unapportioned assessments are suspended

CREDIT – when suspended assessments are committed for collection

CREDIT – when payments are received

CREDIT – when abatements are issued

- 1470 Special Assessments Tax Liens – Liened special assessments including interest and penalties.

DEBIT – when liens are taken

CREDIT – when payments are received

CREDIT – when liens are disclaimed

- 1499 Allowance for Uncollectible Special Assessments – The portion of net special assessments receivable (the total of accounts 1410 through 1498) estimated to be uncollectible. This account is a valuation account necessary for proper financial statement presentation and set up at the time of closing and reversed in the subsequent period.

DEBIT – when the original entry is reversed to open the subsequent period

CREDIT – at period end with the estimated uncollectible special assessments

Notes Receivable

- 1510 Notes Receivable – An unconditional promise signed by the maker to pay a certain sum in money on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein. Notes receivable may be held by a government as designated payee or by endorsement.

DEBIT – when the note is accepted

CREDIT – when payments are received

Accrued Interest Receivable

- 1550 Accrued Interest Receivable – The amount of interest on any investment or bank account earned but not yet received. The accrual is normally calculated and recorded only at fiscal year end for financial reporting, but may also be done for interim reporting.

DEBIT – at period end with the amount accrued

CREDIT – when the original entry is reversed to open the subsequent period

CREDIT – when the interest is actually received

Due from Other Funds

Note: If separate “Due Froms” are desired for each Proprietary Fund, they should be numbered 1660 through 1679. “Due Froms” are used most frequently by local units who have “Pooled Cash” or “Central Depository” accounts.

- 1601 Due from General Fund – Amounts owed to the fund by the General Fund. The inter-fund receivable may arise as the result of advances made, services rendered, operating transfers or subsidies due. An equal offsetting liability must exist in the General Fund.

DEBIT – when the underlying transaction is authorized or approved

CREDIT – when payments are received from the General Fund

- 1610 Due from Special Revenue Funds – Amounts owed to the fund by any Special Revenue Fund. The inter-fund receivable may arise as the result of services rendered or operating transfers due. An equal liability must exist in the Special Revenue Fund.

DEBIT – when the underlying transaction is authorized or approved

CREDIT – when payments are received from the Special Revenue Fund

- 1630 Due from Capital Projects Funds – Amounts owed to the fund by any Capital Projects Fund. The inter-fund receivable may arise as the result of services rendered or operating transfers due. An equal offsetting liability must exist in the appropriate Capital Projects Fund.

DEBIT – when the underlying transaction is authorized or approved

CREDIT – when payments are received from the Capital Projects Fund

- 1660 Due from Proprietary Funds – Amounts owed to the fund by any Proprietary Fund. The inter-fund receivable may arise as the result of services rendered or operating transfers due. An equal liability must exist in the appropriate Proprietary Fund.

DEBIT – when the underlying transaction is authorized or approved

CREDIT – when payments are received from the Proprietary Fund

- 1680 Due from Permanent, Private Purpose Trust, Pension and Agency Funds – Amounts owed to the fund by any Permanent, Private Purpose Trust, Pension and Agency Funds. The inter-fund receivable may arise as the result of services rendered or operating transfers due. An equal offsetting liability must exist in the appropriate Permanent, Private Purpose Trust, Pension and Agency fund.

DEBIT – when the underlying transaction is authorized or approved

CREDIT – when payments are received from the Permanent, Private Purpose Trust, Pension and Agency Fund

Due from Other Governments

- 1710 Due from Federal Government – Amounts due from the federal government for grants, contributions, shared revenue, services rendered, or other monetary transfers to the local unit of government.

DEBIT – when grants are awarded by the federal government

DEBIT – when non-grant amounts due from the federal government are recognized

DEBIT – when increases in grant awards or other amounts due are recognized

CREDIT – when payments are received

CREDIT – when decreases in grant awards or other amounts due are recognized

- 1720 Due from Commonwealth of Massachusetts – Amounts due from the Commonwealth for grants, contributions, shared revenue, services rendered or other monetary transfers to the local government. Use this account for Mass. School Building Authority payments (MSBA). Payments due during the current fiscal year should be segregated from payments due in future years.

DEBIT – when grants are awarded by the Commonwealth and/or MSBA

DEBIT – when non-grant amounts due from the Commonwealth are recognized

DEBIT – when increases in grant awards or other amounts due are recognized

CREDIT – when payments are received

CREDIT – when decreases in grant awards or other amounts due are recognized

- 1730 Due from County – The balance of this account reflects amounts due from a county for grants, contributions of capital, shared revenue, services rendered or other monetary transfers to the local government.

DEBIT – when grants are awarded by the county

DEBIT – when non-grant amounts due from the county are recognized

DEBIT – when increases in grant awards or other amounts due are recognized

CREDIT – when payments are received

CREDIT – when decreases in grant awards or other amounts due are recognized

- 1740 Due from Municipalities – This account is most frequently used by regional organizations (school districts) and by municipalities which provide shared services such as a health officer. Its balance reflects amounts due from assessments, grants, contributions of capital, shared revenue, services rendered or other monetary transfers.

DEBIT – when non-grant amounts due from municipalities are recognized

DEBIT – when increases in amounts due are recognized

CREDIT – when payments are received

CREDIT – when decreases in amounts due are recognized

- 1790 Due from Other Government Units – Amounts due from other government units not included above. This account is also used when the volume of transactions is so minimal that it is not necessary to create separate accounts.

DEBIT – when grants are awarded by the other government units

DEBIT – when non-grant amounts due from the other government units are recognized

DEBIT – when increases in grant awards or other amounts due are recognized

CREDIT – when payments are received

CREDIT – when decreases in grant awards or other amounts due are recognized

Other Assets

- 1810 Inventories for Consumption – The cost of items purchased for ordinary maintenance or supply functions that have not been charged to a specific job, project, department or other expense account.

DEBIT – when inventory items are purchased

CREDIT – when the items are used or otherwise removed from inventory

- 1830 Inventories for Resale – The cost of items purchased with the intent to resell rather than for use in local operations. Typically, this account will be used in educational, recreational and enterprise activities.

DEBIT – when inventory items are purchased

CREDIT – when the items are sold or otherwise removed from inventory

- 1850 Prepaid Expenses – Amount of expenditures made for benefits not yet received. Prepaid expenses include such items as rents paid in advance, prepaid interest and unexpired insurance premium.

DEBIT – when the disbursement is made

CREDIT – when the prepaid expenses are amortized at period end

1860 Travel and Payroll Advances – The amount of travel and payroll advances made to employees.

DEBIT – when the funds are advanced

CREDIT – when the funds are repaid. For travel advance, the amount of the advance will be deducted from any amount due to the employee.

CREDIT – when a travel voucher is submitted if the advance exceeds the actual travel reimbursement

1870 Deposits – To record any deposits that must be made by the local governmental unit to vendors who require guarantee deposits. For example, some utilities and insurance companies require deposits.

DEBIT – when the deposit is made

CREDIT – when the deposit is returned or forfeited

1880 Tax Foreclosures – The balance of taxes, interest and fees on properties foreclosed for non-payment of taxes.

DEBIT – when the foreclosure documents are filed with the amount of tax, liens, interest and fees due

CREDIT – when the foreclosed property is sold with the amount due

CREDIT – when a foreclosure is disclaimed

1890 Other Assets – For miscellaneous assets not detailed elsewhere in the asset section of the Chart of Accounts.

DEBIT – when the asset is acquired

CREDIT – when the asset is used or disposed

Restricted Assets

This subheading is used for financial reporting only. No numbers are reserved for it in the Chart of Accounts.

Property, Plant and Equipment

- 1910 Land – The cost of purchase or fair market value at the date of receipt if acquired by gift, of all land acquired by the unit. Land cost includes legal fees, land surface leveling, debris removal and other costs necessary to place the land in service.

DEBIT – with the cost of acquisition, or fair market value if acquired by gift

CREDIT – with the recorded value of any land when sold or otherwise disposed of

- 1920 Buildings – The cost of purchase or construction, or fair market value at the date of receipt if acquired by gift, of all buildings placed in use. Building costs include architectural fees and interest expenditures during the construction period in addition to the cost of all fixtures attached to and forming a permanent part of such buildings.

DEBIT – with the cost of acquisition or construction, or fair market value if acquired by gift

CREDIT – with the recorded value of any buildings sold or otherwise disposed of

- 1929 Accumulated Depreciation – Buildings (Credit) – The depreciation accumulated to date on buildings.

DEBIT – with the accumulated balance for any buildings sold or otherwise disposed of

CREDIT – with the annual provision for depreciation for buildings

- 1930 Plant – The cost of all structures, either constructed or purchased, or if acquired by gift, the fair market value at the date of receipt, which is not properly classified to buildings (water treatment plants, pumping stations, electricity generating facilities).

DEBIT – with the cost of acquisition or construction, or fair market value, if acquired by gift

CREDIT – with the recorded value of any plant sold or otherwise disposed of

1939 Accumulated Depreciation – Plant (Credit) – The depreciation accumulated to date on plant.

DEBIT – with the balance accumulated to date on plant

CREDIT – with the annual provision for depreciation on plant

1940 Machinery and Equipment – The cost of purchase or fair market value at the date of receipt if acquired by gift, of major items of equipment acquired by the unit. Machinery and equipment cost includes the cost of installation.

DEBIT – with the cost of acquisition or construction, or fair market value if acquired by gift

CREDIT – with the recorded value of such equipment sold or otherwise disposed of

1949 Accumulated Depreciation – Machinery and Equipment (Credit) – The depreciation accumulated to date on machinery and equipment.

DEBIT – with the accumulated balance for any machinery and equipment sold or otherwise disposed of

CREDIT – with the annual provision for depreciation on machinery and equipment

1950 Construction in Progress – The cost of construction work undertaken, but not yet completed. When a project is completed, its cost is transferred from this account to the applicable fixed asset accounts.

DEBIT – with the cost incurred on construction projects started but not completed

CREDIT – with the completed cost of the project when the assets are transferred to the appropriate fixed asset account

Amounts to be Provided

This subheading is used only in the General Long term Obligation Account Group (although GASB 34 eliminates this group, these accounts are still useful).

- 1991 Amounts to be Provided for Judgments and Claims Payable – The amount to be provided from future financial resources for payment of judgments and claims.
- DEBIT – when the amount of the judgment or claim can be reasonably estimated as to amount and ultimate payment
DEBIT – at year end for any increase in the liability
CREDIT – at year end for any decrease in the liability
- 1992 Amounts to be Provided for Accrued Sick, Vacation and Other Compensated Absences – The amount to be provided from future financial resources for the payment of accrued sick, vacation and other compensated absences.
- DEBIT – when the amount of liability for accrued sick, vacation and other compensated absences is recorded
DEBIT – at year end for any increase in the liability
CREDIT – at year end for any decrease in the liability
- 1993 Amounts to be Provided for Accrued Retirement Costs – The amount to be provided from future financial resources for the payment of retirement costs.
- DEBIT – when the liability for accrued retirement cost is recorded
DEBIT – at year end for any increase in the liability
CREDIT – at year end for any decrease in the liability
- 1994 Amounts to be Provided for Payment of Bond Anticipation Notes Payable – The amount of temporary borrowings in anticipation of bonds for which all legal steps have been taken to permanently finance.
- DEBIT – when the bond anticipation note payable is issued
CREDIT – when the permanent borrowing is issued
- 1995 Amounts to be Provided for Payment of Capitalized Leases – The amount to be provided from future financial resources for the payment of capitalized leases.
- DEBIT – when the amount to be capitalized is determined at the inception of the lease
CREDIT – when installment payments are made

- 1996 Amounts to be Provided for Payment of Bonds – The amount that must be provided from taxes or other revenue to pay the principal on outstanding debt reflected in the General Long Term Obligation Accounts Group.

DEBIT – when the debt is issued with the principal amount

CREDIT – at the start of the year, with the amounts raised in the tax levy for payment of principal on long term debt

CREDIT – when any long term debt not yet due is retired

- 1997 Amounts to be Provided (MSBA) – This account represents the balance of amounts due from the MSBA for reimbursement of school project construction costs to be utilized in the repayment of principal.

DEBIT – when bonds are issued, with the distribution agreed to by MSBA

CREDIT – when amounts are received from MSBA

CHAPTER 4 – LIABILITIES

Liability Accounts

All liability accounts are prefaced with a “2”, (e.g. General Fund, Warrants and Accounts Payable 001-2010). Since all numbers in a range are not assigned, local units of government that wish additional detail may use unassigned numbers. Use of the available numbers should remain logically consistent with the structure provided by the assigned numbers.

Liability Classification and Account Codes

<u>Subheading</u>	<u>Codes</u>
• Warrants and Accounts Payable	2000 – 2099
• Accrued Payroll and Amounts Withheld	2100 – 2199
• Accrued Liabilities	2200 – 2299
• Due to Other Funds	2300 – 2399
• Due to Other Governments	2400 – 2499
• Other Liabilities	2500 – 2589
• Matured Debt and Interest Payable	2590 – 2599
• Deferred Revenue	2600 – 2699
• Notes Payable	2700 – 2799
• Capitalized Lease Obligations	2800 – 2899
• Bonds Payable	2900 – 2999

A summary table of all liability accounts and account codes is found in Appendix C to this Manual.

Warrants and Accounts Payable

2010 Warrants Payable – Amounts owed for goods and services received that have been reviewed, approved for payment and entered on a disbursement warrant but that have not yet been disbursed.

DEBIT – when the approved disbursement warrants are paid

CREDIT – when the warrant is approved

2020 Accounts Payable – Approved amounts owed to outside vendors for goods and services received by the local unit of government that have not yet been entered on an approved warrant. It is typically at period end only.

DEBIT – when approved vouchers are entered on an approved disbursement warrant

CREDIT – with invoices reviewed and fully approved for payment

2050 Contracts Payable, Retained Percentage – A portion of amounts billed on construction contracts not yet paid pending final inspection and approval of the project.

DEBIT – when the retainage is paid

DEBIT – when a final legal decision is made to not pay the retainage due to contractor failure to perform

CREDIT – when a contractor's invoice is approved with the amount to be retained

Accrued Payroll and Amounts Withheld

2110 Accrued Payrolls Payable – Amounts owed to employees for work recorded and approved on payroll input documents for the current period, but that have not been recorded on approved warrants for the same period. Normally, this account would be used only at year end.

DEBIT – when the payroll is warranted or when the entry is reversed

CREDIT – when the estimated payroll is recorded and approved

2120 Federal Income Tax Withholdings Payable – The amounts withheld from employees' payrolls for federal income tax that have not as yet been remitted to the federal government.

DEBIT – when the withholdings are remitted

CREDIT – when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2130 State Income Tax Withholdings Payable – The amounts withheld from employees' payrolls for state income tax that have not as yet been remitted to the Commonwealth.

DEBIT – when the withholdings are remitted

CREDIT – when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2140 Retirement Withholdings Payable – The amounts withheld from employees' payrolls for employee retirement contributions that have not as yet been remitted to a retirement fund or other custodians of such funds.

DEBIT – when the withholdings are remitted

CREDIT – when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2150 Insurance Withholdings Payable – The amounts withheld from employees' payrolls for insurance premiums that have not as yet been remitted to the insurer.

DEBIT – when the withholdings are remitted

CREDIT – when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2160 Charitable Contributions Withholdings Payable – The amounts withheld from employees' payrolls for charitable contributions that have not as yet been remitted to the designated charity or charities.

DEBIT – when the withholdings are remitted

CREDIT – when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2170 Union Dues Withholdings Payable – The amounts withheld from employees' payrolls for union dues that have not as yet been remitted to the various unions.

DEBIT – when the withholdings are remitted

CREDIT – when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2180 Employee Savings Withholdings Payable – The amounts withheld from employees' payrolls for savings plans that have not as yet been remitted to the appropriate institution.

DEBIT – when the withholdings are remitted

CREDIT – when the withholdings are reported on the Treasurer's Report of Receipt of Cash

- 2190 Other Payroll Withholdings Payable – The amounts withheld from employees' payrolls that have not as yet been remitted to the appropriate agency and which are not properly classified to any of the above accounts.

DEBIT – when the withholdings are remitted

CREDIT – when the withholdings are reported on the Treasurer's Report of Receipt of Cash

Accrued Liabilities

- 2210 Accrued Judgments Payable – Judgments and claims against the local unit that can be reasonably estimated.

DEBIT – when the item is actually presented for payment

CREDIT – when the amount of the judgment or claim can be reasonably estimated as to amount and ultimate payment

- 2220 Accrued Liabilities – Expenses incurred but not yet vouchered or warranted. Amounts accrued as of the end of a period for the employer's share of payroll taxes, interest and related amounts would be recorded in the account.

DEBIT – when the expenses are vouchered or warranted

CREDIT – at period end with the amount of expense incurred

- 2230 Accrued Sick, Vacation and Compensated Absences – The accumulated value of vacation, sick leave and other compensated absences earned and vested.

DEBIT – at year end with any decreased to the liability

CREDIT – when the amount of liability for accrued sick, vacation and other compensated absences is recorded

CREDIT – at year end with any increase in the liability

- 2240 Accrued Retirement Costs – The accumulated value of retirement costs earned and vested.

DEBIT – at year end with any decreased to the liability

CREDIT – when the amount of liability for accrued retirement costs is recorded

CREDIT – at year end with any increase in the liability

Due to Other Funds

- 2301 Due to General Fund – Amounts owed to the General Fund. The inter-fund payable may arise as the result of advances made, services received or operating transfers due. An equal offsetting asset must exist in the General Fund.

DEBIT – when the debt is repaid to the General Fund

CREDIT – when the underlying transaction is authorized or approved

- 2310 Due to Special Revenue Funds – Amounts owed to any of the Special Revenue Funds. The inter-fund payable may arise as the result of services received or operating transfers due. An equal offsetting asset must exist in the appropriate Special Revenue Fund.

DEBIT – when the debt is repaid to the Special Revenue Fund

CREDIT – when the underlying transaction is authorized or approved

- 2330 Due to Capital Projects Funds – Amounts owed to any of the Capital Projects Funds. The inter-fund payable may arise as the result of services received or operating transfers due. An equal offsetting asset must exist in the appropriate Capital Projects Funds.

DEBIT – when the debt is repaid to the Capital Projects Funds

CREDIT – when the underlying transaction is authorized or approved

- 2350 Due to Permanent Funds – Amounts owed to any of the Permanent Funds. The inter-fund payable may arise as the result of services received or operating transfers, or subsidy due. An equal offsetting asset must exist in the appropriate Permanent Fund.

DEBIT – when the debt is repaid to the Permanent Fund

CREDIT – when the underlying transaction is authorized or approved

- 2360 Due to Proprietary Funds – Amounts owed to any Proprietary Fund. The inter-fund payable may arise as the result of services received or operating transfers, or subsidy due. An equal offsetting asset must exist in the appropriate Proprietary Fund.

DEBIT – when the debt is repaid to the Proprietary Fund

CREDIT – when the underlying transaction is authorized or approved

- 2380 Due to Private Purpose Trust, Pension or Agency Funds – Amounts owed to any of the Private Purpose Trust, pension and Agency Funds. The inter-fund payable may arise as the result of services received or operating transfers due. An equal offsetting asset must exist in the appropriate Trust and Agency Fund.

DEBIT – when the debt is repaid to the Private Purpose Trust, Pension and Agency Fund

CREDIT – when the underlying transaction is authorized or approved

Due to Other Governments

- 2410 Due to Federal Government – Amounts due to the federal government for services rendered.

DEBIT – when the amounts owed are paid to the federal government

CREDIT – when the service is rendered

- 2420 Due to Commonwealth of Massachusetts – Amounts due to the Commonwealth by the local unit for services rendered or fees collected, not payroll withholdings. For example, the State Wildlife Fund.

DEBIT – when the amounts owed are paid to the Commonwealth

CREDIT – when the service is rendered

CREDIT – when the fee is collected

- 2430 Due to County – Amounts due to the county by the local unit for services rendered or fees collected.

DEBIT – when the amounts owed are paid to the county

CREDIT – when the service is rendered

CREDIT – when the fee is collected

- 2440 Due to Municipalities – Amounts due to municipalities by the local unit for services rendered or taxes collected.

DEBIT – when the amounts owed are paid to municipalities

CREDIT – when the service is rendered

CREDIT – when the tax is collected

- 2490 Due to Other Governmental Units – Amounts due to other governmental units (e.g. a regional school district) for services rendered or taxes collected, other than payroll withholdings.

DEBIT – when the amounts owed are paid to other governmental units

CREDIT – when the service is rendered

CREDIT – when the tax is collected

Other Liabilities

- 2510 Undistributed Receipts – Cash collected but not classified as of fiscal year end. This is a suspense account and should be cleared out for year end reporting purposes.

DEBIT – when amounts received are reclassified to the appropriate accounts

CREDIT – at year end with the amount of undistributed receipts on hand

- 2520 Abandoned Property, Tailings and Unclaimed Items – The total amount of old uncashed checks, bonds and coupons as well as other abandoned property.

DEBIT – when the unclaimed item is redeemed

DEBIT – when unclaimed amounts are taken into the General Fund

DEBIT – when the abandoned property is taken into revenue

CREDIT – when it becomes reasonably certain that the item will not be claimed, usually 1 year under G. L. c. 200A, § 9.

- 2530 Excess on Sale of Land of Low Value – The amount owed delinquent taxpayers after foreclosed property has been sold for more than the total tax liability (tax, interest and charges).

DEBIT – when the excess amount is paid to the former owner

DEBIT – when the excess amount is recognized as revenue in accordance with provisions of law

CREDIT – when the foreclosed property is sold with the amount of proceeds in excess of the tax liability

2550 Deposits Held to Guarantee Payment – Guarantee deposits received by the local unit of government (e.g. consumer deposits to guarantee payment of utility bills).

DEBIT – when the deposit is returned

DEBIT – when the deposit is forfeited

CREDIT – when the guarantee is reported on the Treasurer's Report of Cash Receipts

2580 Other Liabilities – Miscellaneous other liabilities that are not properly classified to any of the above accounts.

DEBIT – when the liability is relieved

CREDIT – when the liability is incurred

Matured Debt and Interest Payable

2590 Matured Debt and Interest Payable – Debt and interest that has matured and not been redeemed at year end or at an interim date.

DEBIT – at the beginning of the subsequent period to reverse the original entry

CREDIT – at period end with the amount of matured debt and interest unredeemed

Deferred Revenue

Deferred revenues are assets for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. To segregate intergovernmental deferred revenue, accounts 2670 through 2679 should be used.

2610 Deferred Revenue – Real and Personal Property Taxes – Deferred revenue account for accounts 1210 through 1239. It is also the deferred revenue account for estimated taxes (accounts 1251 and 1252), Deferred Property Taxes (1253), Taxes in Litigation (1254) and Unbilled Property Taxes (1255). Detail should be maintained by year of levy.

DEBIT – when the tax rate is certified with the amount provided for abatements and exemptions

DEBIT – when payments are received

DEBIT – when the related receivables are reclassified or abated

DEBIT – when the estimated tax bill entry is reversed

DEBIT – when estimated uncollectible amounts are recorded at period end

DEBIT – when the allowance for abatements and exemption is insufficient and a deficit must be raised

CREDIT – when the taxes are committed

CREDIT – when estimated tax bills are issued

CREDIT – when omitted assessments are reported

CREDIT – when estimated uncollectible entries are reversed

CREDIT – when a surplus in the allowance for abatements and exemptions is declared by the Assessors

CREDIT – when refunds are issued for overpayments

2622 Deferred Revenue – Tax Liens – Deferred revenue account for account 1240, Tax Liens Receivable.

DEBIT – when payments are received

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when tax liens are issued

CREDIT – when estimated uncollectible entries are reversed

CREDIT – when refunds are issued for overpayments

2623 Deferred Revenue – Tax Foreclosures – Deferred revenue account for account 1880, Tax Foreclosures.

DEBIT – when the property is sold with the amount due

DEBIT – when the related receivables are reclassified or disclaimed

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when properties are foreclosed

CREDIT – when estimated uncollectible entries are reversed

- 2625 Deferred Revenue – Community Preservation Act – Deferred revenue account for account 1250, Property Taxes Receivable – Community Preservation Act.

DEBIT – when payments are received
DEBIT – when the related receivables are reclassified or abated
DEBIT – when estimated uncollectible amounts are recorded at fiscal year end
CREDIT – when commitments are made
CREDIT – when overpayments are refunded
CREDIT – when estimated uncollectible entries are reversed

- 2630 Deferred Revenue – Motor Vehicle Excise – Deferred revenue account for accounts 1260 through 1269, Motor Vehicle Excise Receivables.

DEBIT – when payments are received
DEBIT – when the related receivables are reclassified or abated
DEBIT – when estimated uncollectible amounts are recorded at period end
CREDIT – when commitments are made
CREDIT – when overpayments are refunded
CREDIT – when estimated uncollectible entries are reversed

- 2641 Deferred Revenue – Boat Excise – Deferred revenue account for accounts 1270 through 1279, Boat Excise Receivable.

DEBIT – when payments are received
DEBIT – when the related receivables are reclassified or abated
DEBIT – when estimated uncollectible amounts are recorded at period end
CREDIT – when commitments are made
CREDIT – when overpayments are refunded
CREDIT – when estimated uncollectible entries are reversed

- 2642 Deferred Revenue – Farm Animal Excise – Deferred revenue account for accounts 1280 through 1289, Farm Animal Excise Receivable.

DEBIT – when payments are received
DEBIT – when the related receivables are reclassified or abated
DEBIT – when estimated uncollectible amounts are recorded at period end
CREDIT – when commitments are made
CREDIT – when overpayments are refunded
CREDIT – when estimated uncollectible entries are reversed

2643 Deferred Revenue – Classified Forestlands – Deferred revenue account for accounts 1290 through 1298, Classified Forestlands Tax Receivable.

DEBIT – when payments are received

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when commitments are made

CREDIT – when overpayments are refunded

CREDIT – when estimated uncollectible entries are reversed

2651 Deferred Revenue – User Charges – Deferred revenue account for accounts 1310 through 1319, user Charges Receivable.

DEBIT – when payments are received

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when commitments are made

CREDIT – when overpayments are refunded

CREDIT – when estimated uncollectible entries are reversed

2652 Deferred Revenue – Other Services – Deferred revenue account for accounts 1320 through 1329, Other Services Receivable.

DEBIT – when payments are received

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when commitments are made

CREDIT – when overpayments are refunded

CREDIT – when estimated uncollectible entries are reversed

2653 Deferred Revenue – Utility Liens – Deferred revenue account for accounts 1330 through 1339, Utility Liens Added to Taxes.

DEBIT – when payments are received

DEBIT – when the related receivables are reclassified or abated

DEBIT – when estimated uncollectible amounts are recorded at period end

CREDIT – when commitments are made

CREDIT – when overpayments are refunded

CREDIT – when estimated uncollectible entries are reversed

2654 Deferred Revenue – Departmental – Deferred revenue account for accounts 1340 through 1398, Departmental Receivables.

DEBIT – when payments are received
DEBIT – when the related receivables are reclassified or abated
DEBIT – when estimated uncollectible amounts are recorded at period end
CREDIT – when commitments are made
CREDIT – when overpayments are refunded
CREDIT – when estimated uncollectible entries are reversed

2660 Deferred Revenue – Special Assessments – Deferred revenue account for all of the special assessment accounts receivable 1410 through 1498.

DEBIT – when payments are received
DEBIT – when the related receivables are reclassified or abated
DEBIT – when estimated uncollectible amounts are recorded at period end
CREDIT – when commitments are made
CREDIT – when overpayments are refunded
CREDIT – when estimated uncollectible entries are reversed

2670 Deferred Revenue – Intergovernmental – Deferred revenue account for accounts 1700 through 1799, Due from Other Governments.

DEBIT – when payments are received
DEBIT – when the related receivables are reclassified or abated
DEBIT – when estimated uncollectible amounts are recorded at period end
CREDIT – when amounts are billed to the grantor
CREDIT – when overpayments are refunded
CREDIT – when estimated uncollectible entries are reversed

2680 Deferred Revenue – Other – Deferred revenue account for any other account deferred.

DEBIT – when payments are received
DEBIT – when the related receivables are reclassified or abated
DEBIT – when estimated uncollectible amounts are recorded at period end
CREDIT – when amounts are billed
CREDIT – when overpayments are refunded
CREDIT – when estimated uncollectible entries are reversed

Notes Payable

If multiple Revenue Anticipation Notes Payable accounts are desired, they should be numbered 2710 through 2719.

2710 Revenue or Tax Anticipation Notes Payable – (RANs or TANs) – Amounts owed to banks or other lenders for funds borrowed in anticipation of revenue by a city or in anticipation of taxes by a town.

DEBIT – when the note is repaid

CREDIT – when the note is issued

2720 Bond Anticipation Notes Payable – (BANs) – Amounts owed to banks or other lenders for funds borrowed in anticipation of a bond issue.

DEBIT – when the note is repaid

CREDIT – when the note is issued

2730 Grant Anticipation Notes Payable – (GANs) – Amounts owed to banks or other lenders for funds borrowed in anticipation of reimbursement from federal or state grants.

DEBIT – when the note is repaid

CREDIT – when the note is issued

2790 Other Notes Payable – Amounts owed to banks or other lenders for funds borrowed that do not qualify under any other notes payable accounts.

DEBIT – when the note is repaid

CREDIT – when the note is issued

Capitalized Lease Obligations

2810 Capitalized Lease Obligations – The present value of the minimum lease payments during the lease's term.

DEBIT – when installment payments are made

CREDIT – when the amount to be capitalized is determined at the inception of the lease

Bonds Payable

2900 Bonds Payable – Inside Debt Limit – The unpaid portion of serial bond issues that when issued were classified as inside the debt limit. A separate account should be established for each bond issue. Reporting will be simplified if account numbers are assigned as follows.

2900 to 2907	Sewer (G.L. c. 44, § 7, cl. 1, 1A)
2908 to 2911	Street and Sidewalk (G.L. c. 44, § 7, cl. 4, 5, 6, 7, 30)
2912 to 2915	Land Acquisition and Public Buildings (G.L. c. 44, § 7, cl. 3, 3A, 10, 21, 22)
2916 to 2919	Removal of Asbestos (G.L. c. 44, § 7, cl. 31)
2920 to 2923	Parks and Recreation (G.L. c. 44, § 7, cl. 2, 2A, 2B, 23, 25, 27)
2924 to 2927	Cemeteries (G.L. c. 44, § 7, cl. 8, 20)
2928 to 2931	Energy Conservation (G.L. c. 44, § 7, cl. 3B, 26)
2932 to 2935	Departmental Equipment (G.L. c. 44, § 7, cl. 9, 9A, 28, 29)
2936 to 2939	Other (G.L. c. 44, § 7, cl. 11, 13, 14, 15, 16, 17, 18, 19)

DEBIT – when the outstanding principal comes due and is paid

CREDIT – when the proceeds are received with the face amount of the debt issue

2940 Bonds Payable – Outside Debt Limit – The unpaid portion of serial bond issues that when issued were classified as outside the debt limit. A separate account should be established for each bond issue. Reporting will be simplified if account numbers are assigned as follows.

2940 to 2943	School Construction, including school buildings (G.L. c. 70B) and bonds issued under the MSBA
2944 to 2947	Sewer Treatment Plants (G.L. c. 44, § 8, cl. 15)
2948 to 2951	Water (G.L. c. 44, § 8, cl. 3, 3A, 4, 4A, 5, 6, 7, 7A, 7B, 7C)
2960 to 2963	Sanitation (G.L. c. 44, § 8, cl. 18, 21, 23, 24)
2964 to 2967	Parks and Recreation (G.L. c. 44, § 8, cl. 16)
2980 to 2983	Utility Systems (G.L. c. 44, § 8, cl. 8, 8A)
2984 to 2987	Airports (G.L. c. 44, § 8, cl. 13)
2988 to 2991	Industrial and Economic Development (G.L. c. 44, § 8, cl. 19)
2992 to 2994	Public Disasters and Emergencies (G.L. c. 44, § 8, cl. 2, 9)
2995	Water Pollution Abatement Trust (G.L. c. 29C)
2996 – 2999	Other (G.L. c. 44, § 8, cl. 1, 10, 12, 14, 17, 20, 22)

DEBIT – when the outstanding principal comes due and is paid

DEBIT – when the state forgives principal if applicable and interest to the Massachusetts Water Pollution Abatement Trust (MWPAT)

CREDIT – when the proceeds are received with the face amount of the debt issue

CHAPTER 5 – FUND EQUITY

Fund Equity Accounts

All fund equity accounts are prefaced with a “3”, (e.g. General Fund, Net Assets Restricted, 001-3010). Since all numbers in a range are not assigned, local units of government that wish additional detail may use unassigned numbers. Use of the available numbers should remain logically consistent with the structure provided by the assigned numbers.

The accounts described in this subsection include all of the fund equity accounts. In reviewing these account descriptions, it will be helpful to recall the relationship between revenues and expenditures and fund equity. Current year activity is posted to the revenue and expenditure accounts in Fund Balance Other – Actual. At year end, these accounts are closed to another fund balance component (reserved, unreserved – designated or unreserved – undesignated). Other than revenues and expenditures, fund equity entries are made strictly within the fund equity section of the balance sheet. Total fund equity is thus increased or decreased only through the activity in the Fund Balance Other – Actual accounts.

The various components of fund equity are used to classify the accumulated wealth (surplus or deficit) of a local government into those portions which are generally available and those which are segregated for particular purposes. For example, action authorizing use of available funds for future construction requires reclassification of Undesignated Fund Balance to a reserved fund balance.

Fund Equity Classification and Account Codes

<u>Subheading</u>	<u>Codes</u>
• Net Assets	3000 – 3089
• Investment in General Fixed Assets	3090 – 3099
• Reserved Fund Balance	3200 – 3399
• Unreserved Fund Balance - Designated	3400 – 3589
• Unreserved Fund Balance - Undesignated	3590 – 3599
• Fund Balance Other – Memoranda	3700 – 3799
• Fund Balance Other – Budgetary	3800 – 3899
• Fund Balance Other – Actual	3900 – 3999

A summary table of all fund equity accounts and account codes is found in Appendix D to this Manual.

Net Assets

GASB 34 replaces Contributed Capital, Retained Earnings and several other accounts with a statement of Net Assets.

3001 Net Assets Invested in Capital Assets, Net of Related Debt – The amount the local governmental unit has invested in capital assets.

DEBIT – when capital assets are retired

CREDIT – when capital assets are established

3010 Net Assets Restricted – The amount of net assets restricted by law or certain other actions. Separate accounts should be established for various restrictions.

DEBIT – when capital assets are returned to the original contributor

CREDIT – when capital assets are contributed to an Enterprise Fund

3015 Net Assets Unrestricted – The amount of unrestricted net assets.

DEBIT – when debits of temporary accounts exceed credits

CREDIT – when credits of temporary accounts exceed debits

Investment in General Fixed Assets

3090 Investment in General Fixed Assets – The local governmental unit's equity in general fixed assets.

DEBIT – when fixed assets are acquired

CREDIT – when fixed assets are sold or otherwise disposed of

Reserved Fund Balance

Reserved fund balance accounts represent that portion of fund balance that is not an "available spending resource." Reservations of fund balance are made for the following reasons:

- when the local government legally authorizes expenditure of funds in a future period, e.g. to fund construction;
- when the funds are automatically reserved by law upon receipt, e.g. receipts reserved for appropriation;

- when the funds become otherwise unavailable for general appropriations, e.g. when they offset petty cash.

To segregate different “Special Purpose” accounts, 3280 through 3289 should be used.

3211 Fund Balance Reserved for Encumbrances – That portion of fund balance reserved for encumbrances outstanding. If a formal encumbrance system is used, it will be posted periodically throughout the year with outstanding items. If not, it will be posted at period end for financial statement purposes and then adjusted or closed out at the start of the next period.

DEBIT – when commitments are relieved by receipt of goods and services or by cancellations

DEBIT – when the account’s opening balance is reclassified to account 3212, Fund Balance Reserved for Prior Year Encumbrances

CREDIT – when commitments are recognized

3212 Fund Balance Reserved for Prior Year Encumbrances – That portion of fund balance reserved for outstanding encumbrances related to prior year expenditures.

DEBIT – when commitments are relieved by receipt of goods and services or by cancellations

CREDIT – when the opening balance of account 3211, Fund Balance Reserved for Encumbrances is reclassified to this account

3213 Fund Balance Reserved for Construction – That portion of fund balance reserved for future construction.

DEBIT – when the reserve is utilized

CREDIT – when amounts are reserved

3220 Fund Balance Reserved for Overlay Surplus

– That unused portion of the Allowance for Abatements and Exemptions the Assessors have declared as excess under law.

DEBIT – when amounts are voted by the Assessors to be released and are reclassified to account 3240

DEBIT – at year end, this account is closed to account 3590, Undesignated Fund Balance

CREDIT – when excess amounts are declared by the Assessors and transferred from account 1230, Allowance for Abatements and Exemptions

CREDIT – when amounts voted are not expended

3230 Fund Balance Reserved for Assets Held for Resale – The segregation of a portion of fund balance to indicate that assets equal to the amount of the reserve are being held for resale and are not available for appropriation.

DEBIT – when the assets are sold or otherwise disposed of

CREDIT – when assets are obtained for resale

3240 Fund Balance Reserved for Expenditures – The amount of available funds (“free cash”) authorized to fund appropriations. This account will help identify the amount of available funds authorized during a fiscal year.

DEBIT – at year end, for the total amount authorized to be expended during the current year

CREDIT – when available fund are authorized

3241 Fund Balance Reserved for Open Space – The amount of Community Preservation Fund reserved for open space acquisition.

DEBIT – when funds are expended

DEBIT – when authorization is rescinded

CREDIT – when funds are authorized

3242 Fund Balance Reserved for Historic Resources – The amount of Community Preservation Fund reserved for historic resources.

DEBIT – when funds are expended

DEBIT – when authorization is rescinded

CREDIT – when funds are authorized

3243 Fund Balance Reserved for Community Housing – The amount of Community Preservation Fund reserved for community housing.

DEBIT – when funds are expended

DEBIT – when authorization is rescinded

CREDIT – when funds are authorized

3250 Fund Balance Reserved for Petty Cash – The amount of fund balance utilized for a Petty Cash account.

DEBIT – when a Petty Cash account balance is decreased

DEBIT – when a Petty Cash account is eliminated

CREDIT – when a Petty Cash account is established

CREDIT – when a Petty Cash account balance is increased

3260 Fund Balance Reserved for Inventories – The segregation of a portion of fund balance to indicate that assets equal to the amount of the reserve are invested in inventories for consumption and are not available for appropriation.

DEBIT – when the inventory is used or otherwise disposed of

CREDIT – when the inventory is acquired

3270 Fund Balance Reserved for Debt Service – The segregation of a portion of fund balance to indicate that funds have been received to retire future debt and interest but not yet disbursed. This fund balance would include MSBA payments received for which the related debt service has not yet been paid.

DEBIT – when amounts are utilized for payment of maturing debt and interest

CREDIT – when amounts are reserved

3280 Fund Balance Reserved for Special Purposes – The amount of fund balance set aside for other, specifically identified purposes not covered elsewhere.

DEBIT – when the reserve is utilized

CREDIT – when amounts are reserved for special purposes

- 3291 Fund Balance Reserved for Endowment – The amount of fund balance set aside for fund balances legally restricted to endowment purposes.

DEBIT – when the reserve is utilized

CREDIT – when amounts are reserved

- 3292 Fund Balance Reserved for Employee Retirement – The funds accumulated in the Pension Fund for the purpose of offsetting the anticipated future cost of funding the contributory retirement system.

DEBIT – when amounts are authorized to fund pension obligations

CREDIT – when amounts are reserved

- 3293 Fund Balance Reserved for Advances – The amount of advances that have not been repaid by the end of the fiscal year. This account adjusts Undesignated Fund Balance.

DEBIT – at the end of the fiscal year for advances not repaid

CREDIT – at the beginning of the subsequent fiscal year

- 3294 Fund Balance Reserved for Prepaid Expenses – The amount of prepaid expenses at the end of the fiscal year.

DEBIT – at the end of the fiscal year

CREDIT – at the beginning of the subsequent fiscal year

- 3295 Fund Balance Reserved for Continued Appropriations – The amount of appropriations that can be legally carried over into the subsequent fiscal year.

DEBIT – at the end of the fiscal year

CREDIT – at the beginning of the subsequent fiscal year

- 3296 Fund Balance Reserved for Reduction of Future Excluded Debt – The amount of debt service excluded for a particular purpose that exceeds the actual debt service. If more than one purpose is involved, it should be separately accounted for. If no future excluded debt service exists, the balance must be used to reduce the subsequent fiscal year's tax rate. An example of an item to be accounted for in this series would include bond premiums on excluded debt.

DEBIT – at the beginning of the subsequent year

CREDIT – at the end of the fiscal year

- 3300 Fund Balance – Receipts Reserved for Appropriation – These accounts are used to segregate receipts from specific sources that are separately appropriated. The following are examples of receipts reserved for appropriation accounts and their statutory references (for more information, please see the Special Revenue chapter).

Parking Meter Receipts (G.L. c. 40, § 22A – 22C)

County Dog Fund (G.L. c. 140, § 172)

Insurance Recoveries and Restitution Over \$20,000 (G.L. c. 44, § 53)

Sale of Real Estate (G.L. c. 44, § 63)

Sale of Cemetery Lots (G.L. c. 114, § 25)

Waterways Improvement (G.L. c. 40, § 5G)

Ambulance Receipts (G.L. c. 40, § 5F)

DEBIT – when appropriations are authorized

CREDIT – when amounts are received

- 3320 Fund Balance Reserved for Community Preservation Act – The amounts received by the community in accordance with G.L. c. 44B.

DEBIT – when expenditures for the designated purpose are closed at year end

CREDIT – when revenue associated with the designated purpose is closed at year end

- 3350 Fund Balance Reserved for Teachers' Pay Deferral – The amount remaining deferred by the community under c. 336 of the Acts of 1991 which allowed a community to defer an amount of expenditures equal to the total of the summer payroll for teachers for fiscal years 1992 and 1993 for either the community's school department or a regional school of which it is a member. The amount was to be amortized for 15 years, beginning in fiscal year 1997.

DEBIT – when the amount of the teachers' pay was deferred

CREDIT – when the annual amount is amortized on the tax rate

CREDIT – when an amount is appropriated to reduce or eliminate the deferral

Unreserved Fund Balance – Designated

Designated fund balance accounts represent items for which there are tentative uses planned for future periods. Since items designated may ultimately be used for other purposes, designations are less limiting than reservations.

- 3400 Fund Balance Designated – To provide additional detail on fund balance designations when the 3500 series is not sufficient.

DEBIT – when expenditures for the designated purpose are closed at year end

CREDIT – when revenues associated with the designated purpose are closed at year end

- 3510 Fund Balance Designated for Federal Grants – The unexpended portion of grant funding from federal sources. If an individual fund is not maintained for each grant, then a unique fund balance account should be established for each grant.

DEBIT – when expenditures for the designated purpose are closed at year end

CREDIT – when revenues associated with the designated purpose are closed at year end

- 3520 Fund Balance Designated for State Grants – The unexpended portion of grant funding from state sources. If an individual fund is not maintained for each grant, then a unique designated fund balance account should be established for each grant.

DEBIT – when expenditures for the designated purpose are closed at year end

CREDIT – when revenues associated with the designated purpose are closed at year end

- 3560 Fund Balance – Revolving Funds – To segregate certain receipts that may be expended for specific purposes without appropriation. Revolving funds may be established by particular types of receipts only if expressly permitted by law. The following are examples of revolving funds and their statutory references.

Recoveries for Lost School Books (G.L. c. 44, § 53)

Payments by Pupils for Industrial Arts Materials (G.L. c. 44, § 53)

Athletic Programs and School Organizations (G.L. c. 71, § 47)

Adult Education and Continuing Education Programs (G.L. c. 71, § 71E)

Community School Programs (G.L. c. 71, § 71C)

Racial Imbalance (G.L. c. 76, § 12A)

Self-Supporting Recreation and Park Services (G.L. c. 44, § 53D)

Insurance Recoveries and Restitution Not in Excess of \$20,000 (G.L. c. 44, § 53)

Departmental Revolving Fund (G.L. c. 44, § 53E½)

DEBIT – when expenditures for the designated purpose are closed at year end

CREDIT – when revenues associated with the designated purpose are closed at year end

- 3580 Fund Balance Designated for Other Purposes – The amount of fund balance tentatively planned to be used for purposes other than those described above.

DEBIT – when expenditures for the designated purpose are closed at year end

CREDIT – when revenues associated with the designated purpose are closed at year end

Unreserved Fund Balance – Undesignated

- 3590 Undesignated Fund Balance – The amount of fund balance remaining after reductions for reserved and designated balances.

DEBIT – when expenditures and other financing uses are closed out at period end

DEBIT – when amounts are reserved or designated

CREDIT – when revenues and other financing sources are closed out at period end

CREDIT – when reserved or designated fund balances are closed out and returned to unreserved

- 3592 Unreserved Fund Balance – Appropriation Deficits (Debit) – The amount that certain appropriation accounts were overspent during the fiscal year and this must be raised in the next tax levy. Overspending of appropriations is generally prohibited by law. There are, however, some exceptions such as snow and ice which are defined in G.L. c. 44, § 31 and § 31D.

DEBIT – when the authorized appropriation deficits are determined at the close of the fiscal year

CREDIT – when the authorized appropriation deficits are raised in the next tax levy

- 3593 Unreserved Fund Balance – Revenue Deficits (Debit) – The balance in this account represents the amount of any current year revenue deficit. A revenue deficit occurs when actual revenues are less than estimated revenues and there is no offsetting surplus between appropriations and actual expenditures. The amount is calculated at the close of the fiscal year and established in a separate account to ensure that it is given proper consideration in computing the subsequent year's tax levy (see Appendix K).

DEBIT – at year end with the amount of revenue deficit calculated for the fiscal year

CREDIT – when the amount is raised in the next tax levy

3594 Unreserved Fund Balance – Overlay Deficits (Debit) –

The balance in this account represents the reclassification of a portion of fund balance equal to the total of any debit balances from accounts 1230 through 1239, Allowance for Abatements and Exemptions. The account is established as a part of year end adjustment and closing process. The account is closed when the amount is raised in the next tax levy.

DEBIT – at year end with the amount reclassified

CREDIT – when the amounts are raised in the next tax levy

3595 Unreserved Fund Balance – Final Court Judgments (Debit) – The balance in this account represents the amount of final court judgments paid by the municipality in a fiscal year after the tax rate for the year has been approved. The account is established as part of the year end closing process. The account is closed when the amount is raised in the next tax levy.

DEBIT – at year end with the amount of final court judgment expenditures made during the fiscal year

CREDIT – when the amounts are raised in the next tax levy

3597 Unreserved Fund Balance – Offset Receipts Deficit (Debit) – The balance in this account represents the amount of any current year offset receipts deficit. An offset receipts deficit occurs when actual receipts are less than estimated receipts and there is no offsetting surplus between appropriations and actual expenditures.

DEBIT – at year end with the amount of any offset receipts deficit

CREDIT – when the amounts are raised in the next tax levy

3599 Unreserved Fund Balance – Year End Adjustments (Debit) – The balance in this account represents the net amount of adjustments that were made in the fund at the close of the prior year in converting the accounting basis in the fund to the appropriate basis (modified accrual or accrual). It is established as one of the opening entries at the beginning of the year as a part of the process by which the books of accounts are converted back to a cash basis for purposes of revenue accounting. At the close of the fiscal year, the balance in the account is closed to the related revenue or expenditure account.

DEBIT – when revenues are accrued at the close of the prior period

CREDIT – when the actual revenue is reversed

Fund Balance Other – Memoranda

Memoranda accounts are used to integrate the control of grant, project and bond authorizations into the accounting records. The accounts are memoranda accounts in that they are not usually presented in financial statements, although footnotes disclosure is required if balances are material. They are segregated in fund balance to facilitate interim financial reporting.

To set up a separate account for each authorized project, accounts 3730 through 3739 should be used with account 3740 used as an offset.

3710 State and Federal Grants Awarded – (Memorandum) – The balance in this account represents the amount of spending authority approved but not yet received on state and federal grants.

DEBIT – when the grant is awarded

DEBIT – when increases in the award amounts are made

CREDIT – when decreases in the award amounts are made

CREDIT – when cash is received and spending authority is recorded in the budgetary accounts

3720 State and Federal Grants Awarded – Offset (Memorandum) (Credit) – This account is a contra account to account 3710. The balance in the account should be equal to the balance in that account.

DEBIT – when cash is received and spending authority is recorded in the budgetary accounts

DEBIT – when decreases in the award amounts are made

CREDIT – when a grant is awarded

CREDIT – when increases in the award amounts are made

3730 Projects Authorized (Memorandum) – The balance in this account represents the unexpended portion of the project authorization.

DEBIT – when the capital project is authorized

DEBIT – when any increases are authorized

CREDIT – when expenditures are made on the capital project

CREDIT – when any decreases are authorized

CREDIT – when the project is completed with any balance remaining in the account

3740 Projects Authorized – Offset (Memorandum) (Credit) – This account is a contra account to account 3730. The balance in the account should be equal to the balance in that account.

DEBIT – when expenditures are made on the capital project

DEBIT – when any decreases are authorized

DEBIT – when the project is completed with any balance remaining in the account

CREDIT – when the capital project is authorized

CREDIT – when any increases are authorized

3760 Bonds Authorized (Memorandum) – The balance in this account represents the amount of bonds that have been authorized but not yet issued.

DEBIT – when bonds are authorized

CREDIT – when bonds are issued

CREDIT – when bond authorizations are rescinded

3770 Bonds Authorized – Offset (Memorandum) (Credit) – This account is a contra account to account 3760. The balance in the account should be equal to the total of the balance in that account.

DEBIT – when bonds are issued

DEBIT – when bond authorizations are rescinded

CREDIT – when bond issues are authorized

Fund Balance – Budgetary

Budgetary fund balance accounts are used to record the formally adopted annual operating budget. They are segregated in fund balance to facilitate interim financial reporting. Budgetary accounts are posted at the start of the fiscal year as part of the opening entries. Both sides of all budgetary entries must be made within the budgetary series (3800 through 3899). Budgetary accounts always net to zero and for interim reporting purposes need not be reflected on the balance sheet.

To segregate the original appropriation amount from supplemental appropriations, accounts 3830 through 3859 should be used.

3810 Estimated Tax Levy (Budgetary) (Debit) – This account is a budgetary control account and its balance reflects the total real and personal property tax commitments.

DEBIT – when the tax rate is approved, with the estimated tax levy for the current fiscal year

CREDIT – at year end with the balance in the account

CREDIT – when the tax rate is approved with the allowance for abatements and exemptions

3815 Estimated Revenue (Budgetary) (Debit) – This account is a budgetary control account and its balance reflects the amount of revenues estimated for the fiscal period.

DEBIT – at the beginning of the year with the total amount of other revenues budgeted for the year as reflected on the Tax Rate Recap or other source document

DEBIT – when budget increases are authorized

CREDIT – when budget decreases are authorized

CREDIT – at year end with the balance in the account

3820 Estimated Other Financing Sources (Budgetary) (Debit) – This account is a budgetary control account and its balance reflects the amount of non-revenue financing sources estimated for the fiscal period. These include bond issues, premiums on bond issues, interest received from bond issues and operating transfers-in.

DEBIT – at the beginning of the year with the total amount of estimated other financing sources budgeted for the year

DEBIT – when budget increases are authorized

CREDIT – when budget decreases are authorized

CREDIT – at year end with the balance in the account

3830 Appropriations (Budgetary) (Credit) – This account is a budgetary control account and its balance reflects authorizations granted by the governing body to make expenditures and to incur obligations for specific purposes for the fiscal year.

DEBIT – when decreases in the budget are authorized

DEBIT – at year end with the balance in the account

CREDIT – at the beginning of the year with the total amount of the budget adopted by the governing body

CREDIT – when budget increases are authorized

3860 Other Authorized Expenditures (Budgetary) (Credit) – This account is a budgetary control account and its balance reflects other local expenditures not requiring appropriation such as state and county assessments.

DEBIT – when decreases in such amounts are authorized at year end with the balance in the account

CREDIT – at the beginning of the year with the amount authorized

CREDIT – when increases are authorized

3870 Estimated Other Financing Uses (Budgetary) (Credit) – This account is a budgetary control account and its balance reflects the amount of other financing uses such as operating transfers-out estimated for the fiscal period.

DEBIT – when decreases in the estimated other financing uses are authorized

DEBIT – at year end with the balance in the account

CREDIT – at the beginning of the year with the total amount of estimated other financing uses authorized

CREDIT – when increases in estimated other financing uses are authorized

3880 Budgetary Fund Balance (Budgetary) – This balance in this account represents the amount of available funds budgeted for use in the fiscal year less any period year items raised.

DEBIT – at the beginning of the year with amounts appropriated from available funds (“free cash”)

DEBIT – at year end with the balance in the account, if a credit balance remains

CREDIT – when other non-appropriation items (accounts 3591 through 3597) are raised in the tax levy

CREDIT – at year end with the balance in the account if a debit balance remains

3890 Budgetary Control – This account is an offset to the other budgetary accounts and should normally have a zero balance. However, at the beginning of the fiscal year, if the Tax Rate Recap has not been finalized, only the appropriations portion of the budget will have been posted and the account will have a debit balance.

DEBIT – with current fiscal year appropriations

DEBIT – with current fiscal year estimated other financing uses

DEBIT – with current fiscal year estimated overlay

DEBIT – with current fiscal year other amounts to be raised

CREDIT – with current fiscal year estimated local receipts

CREDIT – with current fiscal year estimated other financing sources

CREDIT – with current fiscal year estimated other amounts appropriated to revenue or transfers from available funds

CREDIT – with current fiscal year estimated tax levy

CREDIT – with current fiscal year estimated “Cherry Sheet” distributions

Fund Balance – Actual

These accounts represent the general ledger control accounts for Revenues, Other Financing Sources, Expenditures, Encumbrances and Other Financing Uses. These accounts are included in fund balance to facilitate financial reporting.

3910 Revenue (Credit) – The balance in this account reflects the amount of revenue actually recognized by receipt or accrual during the fiscal year.

DEBIT – at year end with the balance in the account

DEBIT – when refunds are made

CREDIT – when real and personal property taxes are collected

CREDIT – when motor vehicle excise, other excise, departmental receipts and other revenues are received

CREDIT – when revenue is recognized upon the sale of fixed assets, inventory, or foreclosed properties

CREDIT – when tax liens, including interest and charges are collected

CREDIT – when pro forma taxes are collected

CREDIT – when licenses, fines, fees and permits are collected

CREDIT – when entitlements or distributions are received

CREDIT – when any other revenue is recognized

3920 Other Financing Sources (Credit) – The balance in this account reflects the amount of other financing sources actually received from bond issues, premiums on bond issues, interest received from bond issues and operating transfers-in during the current fiscal year.

DEBIT – at year end with the balance in the account

CREDIT – when proceeds from long term debt are received

CREDIT – when proceeds from certain bond anticipation notes meet the revenue recognition criteria

CREDIT – when premiums are received on bond issues

CREDIT – when interest is received on bond issues

CREDIT – when operating transfers-in from other funds are made

3930 Expenditures (Debit) – The balance in this account reflects the amount of expenditures (expenses) made or recognized during the fiscal year from the current year's appropriations.

DEBIT – when expenditures are reported on approved warrants

DEBIT – when depreciation is recorded in the Enterprise Funds

DEBIT – when other accrued expenses are recognized

CREDIT – when refunds are received for expenditures

CREDIT – when expenditures are reclassified to fixed assets

CREDIT – at year end with the balance in the account

3940 Encumbrances (Debit) – The balance in this account reflects the amount of outstanding encumbrances from the current year.

DEBIT – when the purchase commitments are recognized

CREDIT – when the purchase commitments are relieved at year end with the amount of outstanding encumbrances reclassified to 3960

3950 Prior Year Expenditures (Debit) – The balance in the account reflects the amount of expenditures (expenses) made or recognized during the fiscal year related to prior year encumbrances.

DEBIT – when expenditures are reported on approved warrants for prior year encumbrances

CREDIT – when refunds are received for current expenditures on prior year encumbrances at year end with the balance in the account

3960 Prior Year Encumbrances (Debit) - The balance in the account reflects the amount of outstanding encumbrances from the prior year.

DEBIT – when purchase commitments are reclassified from 3940

CREDIT – when the amount of purchase commitments is relieved

3970 Other Financing Uses (Debit) – The balance in this account reflects the amount of other financing uses expended during the current fiscal year for operating transfers-out and other financing uses.

DEBIT – when operating transfers are made to other funds

CREDIT – at year end with the balance in the account

CHAPTER 6 – REVENUE ACCOUNTS

The accounts described in this chapter include all sources of local government funds. These include both revenues and other non-revenue financing sources such as operating transfer between funds, proceeds from notes payable and proceeds from bond issues. For convenience, all sources are referred to as Revenue Sources.

Revenue Sources are distinguished from other account types either by segregation in a revenue subsidiary ledger and/or by use of an account code type of “4.” For clarity, this code has been included with the account descriptions contained in this chapter.

<u>Revenue Sources</u>	<u>Account Codes</u>
• Subsidiary Revenue Control	4000
• Taxes and Excises	4100 – 4199
• Charges for Services	4200 – 4399
• Licenses and Permits	4400 – 4499
• Federal Revenue	4500 – 4599
• State Revenue	4600 – 4699
• Other Intergovernmental Revenue	4700 – 4749
• Special Assessments	4750 – 4769
• Fines and Forfeits	4770 – 4799
• Miscellaneous Revenue	4800 – 4899
• Other Financing Sources	4900 - 4999

The account descriptions that follow are organized according to these subheadings.

A summary table of all revenue accounts and account codes is found in Appendix E to this Manual. The detail descriptions, however, should be consulted for all classification decisions.

Subsidiary Revenue Control

4000 **Subsidiary Revenue Control** – Summary control for the subsidiary revenue ledger entries. For every entry made to a revenue subsidiary ledger account, a corresponding entry is posted to the control. The corresponding entry may be a detail entry or a summary posting. The debit balance in this account should always be equal to the total of the credit and debit balances in all of the other accounts in the subsidiary revenue ledger. This control encompasses Other Financing Sources (transfers-in and bond proceeds) in non-General Fund entries.

Taxes and Excises

- 4110 Personal Property Taxes – Revenue recognized from personal property taxes, including 60 day accrual.
- 4120 Real Estate Taxes - Revenue recognized from real estate taxes, including 60 day accrual and deferred taxes under G.L. c. 59, § 5, cl. 18A or 41A.
- 4130 Abatements and Exemptions – The amount of abatements and exemptions granted.
- 4142 Tax Liens Redeemed – Revenue recognized from tax liens redeemed. The account would include full redemptions, partial payments, payments on account and sales of low value tax liens.
- 4143 Litigated Taxes Collected – Revenue recognized from taxes after litigation.
- 4145 Tax Foreclosures – Revenue recognized from sales of foreclosures.
- 4150 Motor Vehicle Excise – Revenue recognized from motor vehicle excises.
- 4160 Other Excise – Revenue recognized from excises other than motor vehicle. Assign additional codes to the detail for:
- Hotel/Motel
 - Jet fuel
 - Vessel (boat) (50% to General Fund and 50% to Waterways Improvement Fund)
 - Farm animal
 - Classified forestlands
 - Urban redevelopment
- 4170 Penalties and Interest on Taxes and Excises – Revenue recognized from penalty charges and interest collected on delinquent taxes and excises. Assign additional codes to the detail for:
- Property taxes
 - Excise tax
 - Tax lien redemptions
 - Special assessments
 - Other taxes

4180 Payments in Lieu of Taxes – Revenue recognized from payments made in lieu of taxes. Such payments are typically made by other governments or private, non-profit enterprises, which are legally tax exempt.

4190 Other Taxes – Revenue recognized from any other taxes not included above.

Charges for Services

4210 Utility Usage Charges – Revenue recognized from utility usage charges. Assign additional codes to the detail for:

- Water usage
- Gas usage
- Electric usage
- Other utility usage

4220 Other Utility Non-Usage Charges – Revenue recognized from utility charges other than usage. This would typically include such items as house connection fees and other non-usage based charges. Assign additional codes to the detail for:

- Water non-usage
- Gas non-usage
- Electric non-usage
- Other utility non-usage

4240 Other Non-Utility Usage Charges – Revenue recognized from non-utility usage. Assign additional codes to the detail for:

- Hospital usage
- Parking usage
- Parks and Recreation usage
- Airport usage
- Sewerage usage
- Garbage/trash collection usage
- Transit usage

4270 Other Non-Utility, Non-Usage Charges – Revenue recognized from non-utility charges other than usage (such as sale of goods, concessions, ticket sales).

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4320 Fees – Revenues recognized from fees set by statute, charter or ordinance. Assign additional codes to the detail for:

Fees retained from tax collections

4340 Tuition - Revenue recognized from tuition charges assessed for providing education. This account would normally be used only for tuition charged to full-time students. Tuition charged to part-time students, for example, in an adult education program, would be recorded as a fee in account 4320.

4350 Pupil Transportation – Revenue recognized from transporting students to and from school and school activities. Only direct charges for this service would be recorded here. Governmental grants for similar services would be recorded as governmental revenue in the 4500 or 4600 series as appropriate.

4360 Rentals – Revenue recognized from the rental of real and personal property including school and town buildings.

4370 Other Departmental Revenue – Revenue recognized from other departmental activities not properly accounted for in another account. This would include amounts received by the Planning Board, Board of Appeals and Conservation Commission, as well as from athletic events, school lunch programs, school choice tuition and other sources.

Licenses and Permits

4410 Alcoholic Beverage Licenses – Revenue recognized from businesses and other organizations that must be licensed to serve or sell alcoholic beverages.

4420 Other Licenses – Revenue recognized from all other licenses levied according to benefits conferred by the license (such as marriage, animal licenses).

4450 Permits – Revenue recognized from businesses and individuals that require a permit before doing business (such as building, street and curb permits).

Federal Revenue

4515 Community Development Block Grants (CDBG) – Revenue recognized from certain federal government distributions under the CDBG program.

- 4540 Other Federal Revenue – Direct – Revenue recognized from non-CDBG federal government distributions that must be used for a categorical or specific purpose and are received directly from the federal government. Assign additional codes to the detail for:

Many education programs

- 4580 Other Federal Revenue – Through the State – Revenue recognized from federal government distributions that must be used for categorical or specific purpose and are received indirectly through the state. Assign additional codes to the detail for:

Title I, IV, VI and IX
Vocational and adult education
School lunch program
Medicaid reimbursements

State Revenue

- 4610 Reimbursement for Loss of Taxes – Revenue recognized from the state in reimbursement for loss of taxes. These amounts appear in section B of the Cherry Sheet. Accounts should be set up using the following numbers for only those items actually received.

Reimbursement for Loss of Taxes on State Owned Land (G.L. c. 58, §§ 13 – 17)
Abatements to Veterans, Blind and Surviving Spouses – G.L. c. 58, § 8A, c. 59, §5 cl. 17, 17C, 17C½, 17D, 22, 22A, 22B, 22C, 22D, 22E, 37, 37A
Elderly Persons – G.L. c. 59, § 5, cl. 41, 41B, 41C, 41C½

- 4620 Education Distributions and Reimbursements – School Aid Distributions – Revenue recognized from state distributions and reimbursements for education. These amounts appear in section A of the Cherry Sheet and include:

School Aid – G.L. c. 70
Retired Teachers Pensions – G.L. c. 32, § 20(2)(c)
School Transportation Programs – G.L. c. 71, 71A, 71B, 74
School Construction Projects- G.L. c. 70B

- 4640 Education Offset Items – Reserve for Direct Expenditures – Revenue recognized from state education offset items. These amounts appear in section A of the Cherry Sheet (with the exception of Public Libraries which appears in section B) and includes:

Public Libraries – G.L. c. 78, § 19A
School Lunch Programs – c. 871, Acts of 1970

- 4660 General Government – Reimbursements and Distributions – Revenue recognized from state general government reimbursements and distributions. These amounts appear in section B of the Cherry Sheet. Accounts should be established for only those items actually received.

Police Career Incentive – G.L. c. 41, § 108L

Urban Renewal Projects – G.L. c. 121B, §§ 53 – 57

Veterans Benefits – G.L. c. 115, § 6

Local Share of Racing Taxes – c. 558 Acts of 1981, as amended

Regional Public Libraries – G.L. c. 78, § 19C

- 4680 Other State Revenue – Revenue recognized from state distribution other than those covered above. Assign additional codes to the detail for:

Local Public Works projects

Local Mandates

Court Fines

Community Preservation Act – State Share

Miscellaneous State Revenue

Other Intergovernmental Revenue

- 4710 Indirect Distributions – Revenue recognized from non-federal distributions received through a government other than the one actually providing the funds. (Federal distributions through the state are recorded under 4580). Examples would be state distributions through the county, state distributions through a district or municipality or county distributions through a municipality.

- 4720 County Distributions – Revenues recognized from distributions by a county (such as county dog refund) for services performed.

- 4730 Municipal Distributions – Revenue recognized from distributions by a municipality or district for services performed.

- 4740 Payments on Behalf of – Revenue recognized from financial resources provided by another government. Such resources may be provided through direct payments or through contributions of equipment or supplies

Massachusetts Teachers' Retirement Board Payments

Special Assessments

4750 Special Assessments – Revenue recognized from special assessments and betterments not reported elsewhere.

Fines and Forfeits

4770 Fines and Forfeits – Revenue recognized from fines or forfeits (e.g. parking fines, penal fines, library book fines, bond forfeitures, etc).

Miscellaneous Revenue

4810 Sales of Inventory – Revenue recognized from the sale of inventory.

4820 Earnings on Investments – Revenue recognized from income earned on investments (interest and dividends only).

4830 Contributions and Donations – Revenue recognized from contributions or gifts from a private donor. Contributions or gifts from another government would be classified as a grant.

4840 Miscellaneous – Revenue recognized from items not provided for elsewhere. Assign additional codes to the detail for:

Insurance dividends

4890 Gain or Loss in Investment Portfolio - Revenue recognized or lost on sale of investments.

Other Financing Sources

4910 Proceeds from Sale of Bonds – Other financing recognized from the sale or issuance of bonds. This account should be utilized in the Capital Projects Funds only. Special legislation may authorize deficit bond proceeds to be used in the General Fund.

- 4920 Proceeds from Issue of Temporary Loans – Other financing recognized from certain issues of temporary loans. This account is used when temporary loans meet GAAP criteria for the handling of temporary loans as long term obligations, which is generally when the intention of the temporary loan is actually a long term obligation.
- 4930 Premium from Sale of Bonds – Other financing recognized from the premium received on sale of bonds. However, premiums received on debt excluded from the tax levy should be reserved in account 3296.
- 4940 Disposition of Fixed Assets – Other financing recognized from the sale of fixed assets. Where fixed assets have been recorded, the account would reflect only the net gain (credit) or loss (debit) from the proceeds of the sale.
- 4950 Compensation for Loss of Fixed Assets – Other financing recognized in connection with the loss of or damage to fixed assets (e.g. insurance reimbursement).
- 4960 Interest Received on Bonds Sold – Other financing recognized from the accrued interest received from bonds issued by the local government between interest due dates.
- 4970 Inter-Fund Operating Transfers In – Other financing recognized from operating transfers received from other funds. Where appropriate, additional detail should be provided as follows:
- Transfers from General Fund
 - Transfers from Special Revenue Funds
 - Transfers from Permanent Funds
 - Transfers from Capital Projects Funds
 - Transfers from Proprietary Funds
 - Transfers from Special Purpose Trust and Agency Funds
- 4990 Otherwise Unclassified Other Financing Sources – Other financing recognized from sources not more appropriately classified above. In general, this account would not normally be used.

CHAPTER 7 – EXPENDITURE ACCOUNTS

The accounts described in this chapter include all major uses of local funds. Expenditures are normally classified according to the following characteristics:

- Function;
- Organizational responsibility; and
- Expenditure object.

Additional classification by program or activity may be used. However, the Uniform Chart of Accounts does not provide standard coding for programs or activities. Local governments that wish to capture information regarding programs and activities should develop their own codes and utilize the local coding portion of the account number for this purpose.

A summary table of all functions, organizational responsibilities and expenditure objects is found in Appendices F and G to this Manual.

Function Classification

Function classification provides information on the overall purposes or objectives of expenditures. Functions group related activities that are aimed at accomplishing a major service or regulatory responsibility. Functions are normally used to classify expenditures for external financial reporting of governmental fund types.

Organizational Responsibility Classification

Organizational responsibility falls within function classification, is essential for accountability and should correspond with the governmental unit's organization structure. Organization units should be classified according to their primary function. For example, a Health Officer whose primary responsibility is refuse collection should be classified as "Sanitation," not "Human Services." To the extent that communities can adequately segregate the costs of different functions performed by one organization unit, they should establish separate numbers (or use the local coding feature) to track these expenditures.

Expenditure Object Classification

Expenditure object classification falls within an organizational responsibility classification. Expenditure objects provide information on what specific goods and services were purchased. Objects are used to provide improved management control and improved purchasing decisions.

Functions and Organizational Responsibility

The following descriptions are organized according to these subheadings. The detail descriptions should be consulted for all classification decisions.

Since all numbers in the range are not assigned, local units of government that wish additional detail may use unassigned numbers. Use of available numbers should remain logically consistent with the structure by the assigned numbers

<u>Function</u>	<u>Codes</u>
• General Government	100 – 199
• Public Safety	200 – 299
• Education	300 – 399
• Public Works and Facilities	400 – 499
• Human Services	500 – 599
• Culture and Recreation	600 – 699
• Debt Service	700 – 799
• Intergovernmental	800 – 899
• Unclassified	900 – 999

Some of the reporting units so identified are not organizational units, but are sub-functions and are marked with an asterisk.

General Government

110 Legislative – Expenditures related to the legislative operations of the community.
Reporting units:

- 111 City or Town Council
- 112 Aldermen
- 113 Town Meeting
- 114 Town Meeting Moderator
- 119 Other Legislative

120 Executive – Expenditures related to the executive operations of the community.
Reporting units:

- 121 Mayor
- 122 Selectmen
- 123 Town or City Manager
- 129 Other Executive

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130 Financial Administration – Expenditures related to the financial administration of the community. Reporting units:

- 131 Finance Committee
- 132 Reserve Fund *
- 133 Finance Director
- 134 Comptroller
- 135 Accountant/Auditor
- 137 Budget Office
- 138 Purchasing Agent
- 141 Assessors
- 142 Revaluation *
- 145 Treasurer
- 146 Collector
- 149 Other

150 Operations Support – Expenditures related to the non-financial administration of the community. Reporting units:

- 151 Law Department or Town/City Counsel
- 152 Personnel
- 153 Civil Service
- 155 Data Processing or Management Information Systems
- 157 Messenger
- 158 Tax Title Foreclosure *
- 159 Other

160 Licensing and Registration – Expenditures related to the licensing and registration operations of the community. Reporting units:

- 161 Clerk
- 162 Elections *
- 163 Registration *
- 165 Licensing Commission
- 169 Other Licensing and Registration *

170 Land Use - Expenditures related to the management and control of land use within the community. Reporting units:

- 171 Conservation Commission
- 172 Community Preservation Committee – Open Space
- 175 Planning Board/Department
- 176 Zoning/Appeals Board
- 179 Other Land Use

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180 Development - Expenditures related to encouraging and managing the physical and economic growth of the community. Reporting units:

- 181 Urban Development
- 182 Economic Development
- 183 Community Preservation Committee – Housing
- 185 Rent Control
- 189 Other Development

190 Other – Expenditures for other General Government operations which do not fall readily into one of the previous categories. Recording units:

- 191 Worker's Compensation Agent – for the staff of the Agent's office only
- 192 Public Buildings and Properties Maintenance *
- 193 Property Insurance *
- 194 Community Preservation Committee – Historic Preservation
- 195 Town Reports *
- 199 Other General Government

Public Safety

210 Police – Expenditures for law enforcement

220 Fire – Expenditures for preventing and fighting fires

230 Emergency Medical Services – Expenditures related to the provisions of emergency services to the community's residents and workers. Reporting units:

- 231 Ambulance Service
- 232 Emergency Medical Technicians

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240 Protective Inspection – Expenditures related to the protective inspection operations of the community. Reporting units:

- 241 Building
- 242 Gas
- 243 Plumbing
- 244 Weights and Measures
- 245 Electrical
- 246 Public Scales
- 249 Other *

290 Other – Expenditures related to public safety that do not fall readily into one of the previous categories. Reporting units:

- 291 Civil Defense
- 292 Animal Control Office
- 293 Traffic Control (if separate from Police), this is for traffic engineering when not provided by the DPW
- 294 Forestry
- 295 Harbormaster
- 299 Other Public Safety *

Education

In developing this area, the Department of Elementary and Secondary Education End of Year Report can be reviewed to provide ease of preparation.

300 Education – expenditures related to the education function of the local government.

Public Works and Facilities

410 Engineering – Expenditures related to the design and location of public works and facilities. Reporting units:

- 411 Engineer

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- 420 Highways and Streets – Expenditures related to the construction, maintenance and repair of highways and streets in the community. Reporting units:
- 421 Administration *
- 422 Construction and Maintenance *
- 423 Snow and Ice Removal *
- 424 Street Lighting *
- 425 Vehicle Maintenance *
- 429 Other *
- 430 Waste Collection and Disposal – Expenditures related to the collection or garbage and other refuse and delivering it to the place of disposal. Reporting units:
- 431 Administration *
- 432 Street Cleaning *
- 433 Collection and Disposal *
- 439 Other *
- 440 Sewerage Collection and Disposal – Expenditures related to the collection and disposal of sewerage. Reporting units:
- 443 Pumping Stations *
- 449 Other *
- 450 Water Distribution – Expenditures related to the distribution of water to residences and businesses.
- 460 Electric Distribution – Expenditures related to the distribution of electricity to residences and businesses.
- 470 Gas Distribution – Expenditures related to the distribution of natural gas to residences and businesses.
- 480 Transportation Facilities – Expenditures related to the construction, maintenance and repair of transportation facilities. Reporting units:
- 481 Parking Garage
- 482 Airport

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490 Other – Expenditures for public works and facilities that do not readily fall into one of the previous categories. Reporting units:

491 Cemetery

Human Services

510 Health Inspection Services – Expenditures related to inspection and regulatory activities that contribute to the conservation and improvement of public health. Reporting units:

511 Health Officer

512 Board of Health

519 Other *

520 Clinical Services – Expenditure related to the provision of clinical services to maintain or improve public health. Reporting units:

521 Health Center

522 Nursing Service

523 Mental Health Clinic

524 Dental Clinic

529 Other *

530 Medical Facilities – Expenditures related to the operation of a municipal hospital.

540 Special Programs – Expenditures related to the provision of services to specific target groups within the general population. Reporting units:

541 Council on Aging

542 Youth Services

543 Veterans Services

549 Other *

560 Public Assistance – Expenditures related to the provision of services for individuals who are economically unable to provide for their essential needs.

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590 Other – Expenditures for human services that do not readily fall into one of the previous categories.

Culture and Recreation

610 Library – Expenditures related to the operation of a public library.

630 Recreation – Expenditures related to the provision of recreational activities or the operation of recreational facilities such as beaches and golf courses.

650 Parks – Expenditures relate to the maintenance of public parks, squares and similar ornamental areas.

670 Museums – Expenditures related to the maintenance and operation of institutions that display exhibits of culture, historic or scientific interest. This category includes Zoos, Art Galleries, Botanical Gardens and similar institutions.

690 Other – Expenditures for other cultural and recreational activities that do not readily fall into one of the previous categories. Reporting units:

691 Historical Commission

692 Celebrations (Memorial Day, etc.) *

699 Other Cultural and Recreation *

Debt Service

710 Retirement of Debt * - Expenditures for periodic payments of principal amounts on local debt whether short or long term.

750 Interest – Expenditures for periodic payments of interest amounts on local debt. Reporting units in this category include:

751 Interest on Long Term Debt *

752 Interest on Short Term Debt *

Intergovernmental Expenditures

- 810 Federal Assessments and Charges * - Expenditures made for federal assessments and charges. The category is not common in most local governments.
- 820 State Assessments and Charges * - Expenditures made in order to comply with state assessments and charges as identified on the Cherry Sheet.
- 830 County Assessments and Charges * - Expenditures made in order to comply with county assessments and charges.
- 840 Other Intergovernmental Assessments and Charges * - Expenditures made for Massachusetts Water Resources Authority (MWRA), regional district assessments (excluding regional school district assessments), etc.

Unclassified

- 910 Employee Benefits – Expenditures related to employee benefits that are not allocated to specific functions or organizations (note: if employee benefits other than retirement and pension are significant, it may be more effective to segregate these amounts in 920 through 929 to facilitate financial reporting). Reporting units:
- 911 Retirement and Pension Contributions *
- 912 Worker's Compensation *
- 913 Unemployment Compensation *
- 914 Health Insurance *
- 915 Life Insurance *
- 916 Medicare *
- 919 Other *
- 930 Capital Projects – Expenditures related to the purchase or construction of major capital facilities
- 940 Other Unclassified – Expenditures for miscellaneous items not allocated directly to specific functions or organizations. Reporting units:
- 941 Court Judgments *
- 945 Liability Insurance *

950 Permanent Funds and Special Purpose Trust Funds – Expenditures related to Permanent Funds and Special Purpose Trust Fund activities.

990 Transfers – Expenditures relating to transfers between funds:

991 Transfers to General Fund

992 Transfers to Special Revenue Fund

993 Transfers to Capital Projects Fund

994 Transfers to Permanent Funds

995 Transfers to Proprietary Funds

996 Transfers to Private Purpose Trust and Agency Fund

Expenditure Objects

Expenditure accounts are distinguished from other accounts either by segregation in a expenditure subsidiary ledger or by use of an account code type of “5.” However, function and organization unit numbers might also be used as sub-codes with non-expenditure accounts.

The major breakdowns of expenditure objects and detailed lists of the items normally charged to each are provided below. Since all numbers in the range are not assigned, local units of government that additional detail may use unassigned numbers. Use of the available numbers should remain logically consistent with the structure provided by the assigned numbers.

<u>Expenditure Objects</u>	<u>Codes</u>
• Subsidiary Appropriation Control	5000
• Personal Services	5100 – 5199
• Purchase of Services	5200 – 5399
• Supplies	5400 – 5599
• Intergovernmental	5600 – 5699
• Other Charges and Expenses	5700 – 5799
• Capital Outlay	5800 – 5899
• Debt Service	5900 – 5949
• Other Financing Uses	5950 – 5999

Subsidiary Appropriation Control

5000 Subsidiary Appropriation Control – Summary control for the subsidiary appropriations ledger (also referred to as the subsidiary expenditure ledger). Entries made to the subsidiary ledger will include those for appropriations, encumbrances and expenditures. For every entry made to a subsidiary appropriation ledger account, a corresponding entry is posted to the control. The corresponding entry may be a detail entry or a summary posting. The balance in this account should always be equal to the total of the+ debit and credit balances in all of the other accounts in the subsidiary appropriations ledger. This control also encompasses Other Financing Uses (transfers-out) in non-General Fund entries.

Personal Services

5110 Salaries and Wages, Permanent Positions – Expenditures for full-time and part-time work performed by employees who are considered to be in positions of a permanent nature. It should be noted that in budgeting payrolls, local governments should budget for 52.0, 52.2 and 52.3 periods over a three year cycle to avoid budgeting on a cash basis that requires a 53rd pay period in certain years.

5120 Salaries and Wages, Temporary Positions – Expenditures for full-time and part-time work performed by employees who are hired on a temporary or substitute basis.

5130 Additional Gross, Overtime – Amounts earned by employees, whether temporary or permanent, for work performed in excess of normal requirements.

5140 Additional Gross, Differentials – Amounts paid to employees above and beyond compensation in recognition of special circumstances such as

Merit	Shift
Holiday	Educational
Weekend	Longevity

5150 Fringe Benefits to Employees – Expenditures for fringe benefits paid directly to employees such as:

Vacation	Educational Leave
Non-Occupational Sick Leave	Military Leave
Maternity Leave	Union Activities
Standard Holidays	Occupational Sick Leave
Court Leave	Bereavement Leave

5170 Fringe Benefits on Behalf of Employees – Expenditures for the local government's share of fringe benefits not paid directly to employees such as:

Worker's Compensation	Unemployment Insurance
Unemployment Payments	Life Insurance
Health Insurance	Social Security
Retirement Fund	Massachusetts Teachers' Retirement

5190 Other Personal Services – Expenditures incurred for personal services not otherwise classified such as:

Tuition Reimbursement	Uniform Allowance
Career Incentive	Unused Sick-Leave Buyback
In-Service Training	Stipends

Purchase of Services

5210 Energy – Expenditures for energy services received from public or private utility companies (Note that heating oil is classified as energy services for comparative purposes even though it might normally be considered supplies) such as:

Electricity or Natural Gas for heat, power, lighting
Oil used for heat

5230 Non-Energy Utilities – Expenditures for utility services other than energy supplied by public or private organizations. (Telephone and telegraph are classified as 5340 – Communication). For example:

Water
Sewerage

5240 Repairs and Maintenance – Expenditures for repairs and maintenance services not provided directly by municipal personnel. This includes contracts and agreements covering the upkeep of buildings and equipment. For example:

Buildings and Grounds	Sewer or Water Pumping Stations
Recreational Facilities	HVAC Equipment
Vehicles	Construction Equipment
Traffic Control Equipment	Audio Visual Equipment
Water Meters	Machine Tools
Communication Lines	Street Paving and Marking
Office Equipment	Computer Equipment
Medical Equipment	Office Furnishings

5270 Rentals and Leases – Expenditures for renting and leasing land, buildings, equipment and vehicles. The principal portion of capitalized lease obligations is reported here as well. For example:

Buildings	Recreational Facilities
Vehicles	Construction Equipment
Medical Equipment	Office Equipment and Furnishings
Audio Visual Equipment	HVAC Equipment
Photocopiers	Uniforms

5290 Other Property Related Services – Expenditures for property related services not otherwise classified such as:

Custodial Service Contracts	Garbage Removal Contracts
Snow Removal Contracts	Solid Waste Removal Contracts

5300 Professional and Technical – Expenditures for services that by their nature can be performed only by persons or firms with specialized skills and knowledge. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided. For example:

Medical and Dental	Accounting and Auditing
Food Service Management	Legal
Management Consulting	Advertising
Student Testing	Data Processing
Underwriting	Public Safety
Engineering/Architectural	Labor Relations
Contract Bargaining	Book-Binding
Employee Training Seminars	

5320 Tuition – Expenditures to reimburse educational agencies for instructional services rendered to students residing in the legal boundaries described for the paying municipality. If additional detail is desired, it should identify the payee. For example:

In-State Schools	Private Schools
Regional Districts	Out-of-State Schools
Collaboratives	Charter Schools

5330 Pupil Transportation – Expenditures for transporting children to/from school and school activities. If additional detail is desired, it should identify the transporter. For example:

Other School District	Public Carrier
Contractor	Parents

5340 Communication – Expenditures for transmitting and receiving messages or information such as:

Telephone, Telegraph	Wireless Phones
Data Processing Lines	Printing and Mailing
Postage	Delivery Services

5350 Recreational – Expenditures for recreational activities such as:

Entertainers, Lecturers, films
Supervision or instruction of Recreational Activities
Museum or Event Admission Fees
Athletic Event Officials' Fees

5380 Other Purchased Services – Expenditures for purchased services not properly classified elsewhere such as:

Weather Reports	Animal and Pest Control
Mini-Bus Service (contracted)	Photography
Laundry and Cleaning	Non-School Field Trips

Supplies

As a general guideline, a supply item is any article or material which meets at least one of the following conditions:

- It is consumed in use;
- It loses its original shape or appearance with use;
- It is expendable, that is, if the article is damaged or if some of its parts are lost or worn out, it is usually better to replace it with an entirely new unit rather than repair it;
- It is an inexpensive item whose small unit cost (less than \$5,000) makes it inadvisable to capitalize the item;
- It loses its identity by incorporation into a different or more complex item.

5410 Energy Supplies – The cost of expendable supplies purchased to provide energy to municipalities. Gasoline should be included with Vehicular Supplies (5480) and oil used for heating should be classified as Energy.

5420 Office Supplies – The cost of expendable supplies and materials used in the offices of a municipality such as:

Stationary, paper, forms
Photocopying
Pens, pencils, paper clips and other sundries

5430 Building and Equipment Repairs and Maintenance Supplies – The cost of building supplies that are purchased by a municipality to repair or maintain buildings owned by the municipality such as:

HVAC Items	Electrical
Plumbing	Paint
Hand Tools or Power Tools	Glass
Floor Coverings	Doors
Wall Coverings	Window Coverings

5450 Custodial and Housekeeping Supplies – The cost of expendable supplies related to custodial and housekeeping functions such as:

Cleaning Supplies	Bedding and Linens
Brooms and Mops	

5460 Groundskeeping Supplies – The cost of expendable supplies related to groundskeeping functions such as:

Rakes, Hoes and Other Tools	Track Cinders
Paint for Grounds	Fertilizers
Loam, Grass Seed, Lime	Soil and Sod
Pesticides and Herbicides	Trees and Shrubs

5480 Vehicular Supplies – The cost of expendable supplies utilized for maintenance purposes in municipally owned motor vehicles such as:

Gasoline	Tires and Tubes
Anti-Freeze	Motor Oil and Lubricants
Batteries	Parts and Accessories

5490 Food and Food Service Supplies – The cost of expendable supplies used for feed service purposes such as:

Perishables	Non-Perishables
Serving Utensils	

5500 Medical and Surgical Supplies – The cost of expendable supplies and materials used for surgical or medical purposes such as:

First Aid Kits	Orthopedic Supplies
Operating Room Packs	Sutures
Pacemakers	Instruments
Isotopes	Drugs
Chemicals and Solutions	Oxygen
(used for medical purposes)	X-Ray Film

5510 Educational Supplies – The cost of expendable supplies and materials used for educational purposes such as:

Test Materials	Workbooks and Textbooks
Teaching Aids	Kindergarten Supplies
Books and Processing	Athletic Equipment for School
Plan Books and Registers	Audio Visual Supplies
Maps and Charts	Encyclopedias
Special Education Supplies	

5530 Public Works Supplies – The cost of expendable supplies and materials used for public works operational purposes. These items might be segregated by function (water, sewer, engineering) or by material (wood, plastic) depending on the particular needs of the local unit.

5580 Other Supplies – The cost of expendable supplies utilized for purposes not classified elsewhere such as:

Firefighting	Recreational
Data Processing	Uniforms and Other Clothing
Crime Prevention	Library Supplies
Magazine Subscriptions	Newspaper Subscriptions

Intergovernmental

5610 Federal – Any payments to federal agencies for services provided to the local government. Payment to the local government's withholding liability would not be charged to this account since such disbursements are not expenditures

5620 County Amortization – this account includes amortization schedules for abolished counties (e.g. Hampden and Worcester) pursuant to G.L. c. 34B, § 8.

5621 County Tax – Amounts paid to the county for municipal services provided by the county pursuant to G.L. c. 35, § 31.

5630 State Assessments – Amounts paid to the state for services provided by the State. Separate accounts should be established for each item on the Cherry Sheet.

5631 Special Education G.L. c. 71B, §§ 10 and 12

5636 Health Insurance, Government Retirees G.L. c. 32A, § 10B

5637 Health Insurance, Retired Municipal Teachers G.L. c. 32A, § 10B

5639 Mosquito Control Projects G.L. c. 252, § 5A

5640 Air Pollution Control Districts G.L. c. 111, §§ 142B and 142C

5642 Old Colony Planning Council c. 332 Acts of 1967

5646 RMV Non-Renewal Surcharge G.L. c.90, § 60A and §2A

5650 Other State Assessments – Amounts paid to entities other than federal, state or county for municipal services provided. Separate accounts should be established for each item on the Cherry Sheet.

5661 MBTA G.L. c. 161A, §§ 8 and 9, c. 825, §§ 6 and 7 Acts of 1974

5662 Boston Metropolitan District - c. 383, § 12 Acts of 1929, c. 535 Acts of 1954

5663 Regional Transit Authorities G.L. c. 161B, §§ 10 and 11; c. 1141 Acts of 1973

5664 Multi-Year Repayments Program

5667 Small Town Road Assistance Program (STRAP) repayments - c. 637, § 32 Acts of 1983

5690 Other Intergovernmental – Expenses for intergovernmental functions not classified elsewhere.

5694 MWRA Intercepts

Other Charges and Expenses

5710 In-State travel – Expenditures for transportation, meals, hotels and other travel expenses incurred by staff traveling within the Commonwealth. Per diems in lieu of reimbursement are also included in this grouping. Seminar fees are not travel costs and should be classified as Professional and Technical Services (5300).

5720 Out-of-State Travel – Expenditures for transportation, meals, hotels and other travel expenses incurred by staff traveling outside the Commonwealth. Per diems in lieu of reimbursement are also included in this grouping. Seminar fees are not travel costs and should be classified as Professional and Technical Services (5300). This account may be used if there is a city ordinance or town by-law requiring separate approval of this expenditure.

- 5730 Dues and Memberships – Expenditures for memberships in professional and technical organizations. The full costs of the dues or membership fees should be charged here even if the cost includes tangible items such as a subscription to a journal.
- 5740 Insurance Premiums – Expenditures for various types of insurance coverage including property, liability and fidelity. Insurance for group health is not charged here, but is recorded under Fringe Benefits.
- 5760 Judgments – Expenditures from current funds for court judgments against the local unit.
- 5770 Veterans Benefits – Payments for veterans benefits as provided by law.
- 5780 Other Classified Items – Expenditures for items not classified elsewhere.

Depreciation
Payments in Lieu of Taxes
Revenue funds

Survivor Benefits
Reserve fund appropriations
Agency fund disbursements

Capital Outlay

These codes should be used when ever possible to monitor expenditures for eventual capitalization of fixed asset acquisitions.

- 5810 Land – expenditures for the acquisition of land, air rights, water rights and mineral rights. When land is purchased with buildings, the cost of the land should be segregated and charged here.
- 5820 Buildings – Expenditures for the direct purchase of or major capital improvements to existing buildings. Capitalized lease obligations for buildings would be charged here. New construction performed by a contractor would be charged to 5890. New construction performed by the local government's own staff would be segregated as a capital project with non-capital outlay object codes. Depreciation of buildings would be charged to account 5829.
- 5829 Buildings – Depreciation – Depreciation of buildings accounted for in 5820.

5830 Plant – Expenditures for the acquisition of or major capital improvements to existing buildings used to provide utility services (e.g. water pumping station, electric generating station). Capitalized lease obligations for plant would be charged here. New plant construction performed by a contractor would be charged here. New plant construction performed by the local government's own staff would be segregated as a capital project with non-capital outlay object codes. Depreciation of plant would be charged to account 5839.

5839 Plant – Depreciation – Depreciation of plant accounted for in 5830.

5840 Site Improvements – Expenditures for major capital improvements on sites and adjacent ways after acquisition. This account would only be used when the local government has determined that the management information provided by non-capital out object codes is not necessary. Depreciation of site improvements would be charged to account 5849.

5849 Site Improvements – Depreciation – Depreciation of site improvements accounted for in 5840.

5850 Additional Equipment – Expenditures for equipment that increases the number of items of equipment available (e.g. a local government's first police car or a sixth car to expand a fleet of five). Depreciation of equipment would be charged to account 5859. Equipment items include:

Automobiles	Trucks and Buses
Communications Equipment	Classroom Furniture
EMS Equipment/Vehicles	Fire Alarm Equipment
Refuse Containers	Office Equipment and Furniture
Construction Equipment	Bulletin Boards and Shelving
Classroom Equipment	Firefighting/FA Equipment

5859 Additional Equipment – Depreciation – Depreciation of additional equipment accounted for in 5850.

5870 Replacement Equipment – Expenditures for equipment that replaces existing assets. For example, purchase of a new or used ambulance to replace one that has or will be sold would be recorded here.

5879 Replacement Equipment – Depreciation – Depreciation of replacement equipment accounted for in 5870.

5890 Construction in Progress – Expenditures made in connection with construction projects such as:

Fire Stations	School Buildings
Wastewater Treatment Plants	Sewer Systems

Debt Service

5910 Maturing Principal on Long Term Debt – Disbursements to repay the principal portion of long term debt.

5915 Interest on Long Term Debt – Disbursements to pay the interest owed on long term debt.

5925 Interest on Notes – Disbursements to pay the interest owed on notes and other short term borrowings.

Other Financing Uses

5950 Repayment of Temporary Loans – To track the disbursement of repayment amounts.

5960 Inter-Fund Operating Transfers – To track operating transfers to other funds.

5961 Transfers to General Fund

5962 Transfers to Special Revenue Funds

5963 Transfers to Capital Projects Funds

5964 Transfers to Permanent Funds

5965 Transfers to Proprietary Funds

5966 Transfers to Special Purpose Trust and Agency Funds

CHAPTER 8 – BUDGET ENTRIES

The purpose of this chapter is to briefly describe the present budgetary process in Massachusetts and to present illustrative journal entries for recording a municipality's annual budget.

In order to permit the reporting of budget versus actual revenues and expenditures, it is essential that the system for preparing budgets be based on the system of accounting that is utilized by a governmental unit. This chapter describes the process of preparing the budget information to be recorded in the accounting records.

The Budgetary Process in Massachusetts

The fiscal year end of Massachusetts municipalities and districts is June 30. The budget process in most local governments is a continuous cycle. It generally begins in the fall of the preceding fiscal year for which the budget is being prepared and is not complete until the tax rate is set which generally occurs about one year later. At that time, the next year's budgetary planning is ready to begin. Although the budget process involves many activities, there are several significant steps that can be identified which are particularly important in understanding the budget sequence in Massachusetts and ultimately the timing of the accounting entries.

<u>Activity</u>	<u>Approximate Completion Date</u>
1. Operating expense budgets prepared for each department	November
2. Revenue budget estimated for each department and for unit	November
3. Real property and personal property valuation determined	January
4. Budgets submitted to authorizing bodies for approval	
• Finance Committee	December
• Town Meeting (G.L. c. 39, § 9)	Feb. - May
• City Council (G.L. c. 44, § 32)	June
5. Budgets approved	June
6. Cherry Sheets received	July
7. Other amounts required to be raised identified	July
8. Other available funds identified and use determined	Apr. – Dec.
9. Overlay for abatements and exemptions determined	Sept. – Dec.
10. Tax rate set and tax levy committee for collection	Sept. – Dec.

In Massachusetts, the elements of a budget include several different sources of revenue and expenditure, some of which are appropriated and other required to be raised and paid in accordance with applicable statutes. A summary of the principal revenues and expenditures encompassed in the annual budget includes:

<u>Revenues</u>	<u>Comment</u>
Real estate and personal property taxes	Amounts assessed to property owners; represents the principal source of city/town revenue
State reimbursements and distributions	State Cherry Sheet distributions
Federal grants	Generally for restricted purposes
Other Revenues	Motor vehicle excise, charges for services of municipal departments including enterprise activities, deficit bond proceeds

<u>Expenditures</u>	<u>Comment</u>
Departmental operating budget	Current year's operating budget
State and county assessments	State Cherry Sheet
Other amounts to be raised	Includes final court judgments, abatement deficits, appropriation deficits and revenue deficits

With the exception of the "Other Amounts to be raised," each of the items in the budget represents amounts that are expected to occur in the current budget year. "Other amounts to be raised" have, in fact, occurred in a prior year after the budget for that particular year was finalized. Accordingly, for GAAP purposes, such amounts will have to be accounted for as an expenditure of that year and fund balance will have been reduced or a reserve will have been created. Under Massachusetts law, such amounts are required to be raised in the following year. As will be noted below, the special nature of these items is recognized in the budgetary recording process by crediting these directly to the account "Budgetary Fund Balance."

Integration of Records

Budgetary control accounts should be integrated with the actual control accounts in the general ledger. However, budget and actual amounts should be accounted for separately. This will be accomplished by:

- Providing separate budget and actual accounts in the general ledger;
- Requiring that individual journal entries reflect exclusively either budget or actual transactions (thus, if the debit is to a budget account, the credit must also be made to such an account).

To emphasize this separation, all BUDGET ACCOUNTS are presented in capital letters in all the illustrative journal entries throughout this Manual.

Control Account

The UMAS system utilizes a “zero balance” control account to ensure that the budget has been fully and completely recorded. This account is entitled “Budgetary Control” in order to accurately describe its function with the actual account. Additionally, each fund which has a legally adopted budget should have a budgetary control account which must have a zero balance after the budget for that fund has been recorded.

The Budget Accounts

In order to simplify and facilitate the reporting of comparisons of budget and actual revenue and expenditures, several additional budgetary control accounts are used in the system. These accounts, together with a brief description of the budgetary items to be classified in each, are listed below:

<u>Number</u>	<u>Title</u>	<u>Classification Description</u>
3810	ESTIMATED TAX LEVY	Real estate and personal property taxes
3815	ESTIMATED REVENUE	Excises, most licenses and fees, grants and other such items
3820	ESTIMATED OTHER FINANCING SOURCES	Operating transfers-in, bond proceeds
3830	APPROPRIATIONS	All amounts formally appropriated by town meeting or city council
3860	OTHER AUTHORIZED EXPENDITURES	Other local expenditures not requiring appropriation

3870	ESTIMATED OTHER FINANCING USES	Operating transfers-out
3880	BUDGETARY FUND BALANCE	Planned surplus (or deficit) of current year, revenue over current year expenditures
3890	BUDGETARY CONTROL	The offsetting debit or credit for other budget entries

Recording the Budget

Recording the budget is a four step process:

Step 1: Record appropriations on or about July 1 in both general and subsidiary ledgers for proper budgetary control. The level of control in the subsidiary ledgers is at the discretion of the Accountant, but at a minimum, should reflect the vote of the community's legislative body. Appropriations should include other financing uses such as transfers to other funds and should only include those for the upcoming fiscal year beginning July 1.

Step 2: Record revenue estimates of the fiscal year on or about July 1. Revenues should include local estimated receipts, other financing sources and transfers from other funds, an estimate of real and personal property tax levy net of Overlay and State Cherry Sheet distributions and reimbursements.

Step 3: Record "Other Amounts to be Raised" by taxation as soon as they become known. These amounts are itemized on page 2, parts IIB through IID of the Tax Rate or Pro Forma Recap and include state and county assessments, the Overlay and certain amounts allowed by Massachusetts General Laws to be overspent.

Step 4a: Record the Pro Forma Recap form when approved by the Director of Accounts (only if preliminary semi-annual or third quarter preliminary tax bills are first approved by the Director).

Step 4b: Record the Tax Rate Recap form when approved by the Director of Accounts.

Source Documents

There are several source documents for the budgetary entries: the certified list of appropriations voted (certified by the city or town Clerk according to G.L. c. 41, § 15A, the annual Cherry Sheet, the estimate of revenues from which the annual budget was prepared, the Balance Sheet, the Tax Rate Recap and/or Pro Forma Recap. These documents may be supplemented by budget control worksheets such as the ones that follow to assist in ensuring that correct budget amounts are recorded in the accounting records of the community and are accurately distributed to the various funds.

Budget Control Worksheets

Four worksheets have been designed to simplify the allocation of budgeted amounts to the various funds without loss of control. The use of worksheets of this sort is recommended, but it is not required. For purposes of this presentation, the worksheets only show general ledger entries and the journal entries that follow show both the general and subsidiary ledger entries. They may in addition assist the Accountant reconcile items found on the Tax Rate and./or Pro Forma Recap form(s) that require the Accounting Officer to verify the accuracy of the information presented to the Department of Revenue. The four worksheets include:

Budget Control Worksheet – Appropriation: Classifies and summarizes annual appropriations by fund type and by expenditure functions.

Budget Control Worksheet – Local Receipts: Classifies and summarizes annual local estimated receipts by fund type.

Budget Control Worksheet – Other Receipts : Details transfers from other funds, other financing sources, an estimate of the tax levy and cherry sheet revenues not of offsets.

Budget Control Worksheet – Other Amounts to be Raised: Details other amount allowed by Massachusetts General Laws to be raised by taxation without appropriation as found on the Pro Forma and/or Tax Rate Recap.

Copies of each worksheet, together with instructions, are presented in the following pages of this chapter.

BUDGET CONTROL WORKSHEET - APPROPRIATIONS

	Total	General Fund	Special Revenue	Capital Projects	Proprietary	Fiduciary
<u>Appropriations:</u>						
General Government	\$ 990,000	\$ 990,000				
Public Safety	\$ 1,356,500	\$ 1,340,000	\$ 16,500			
Education	\$ 5,625,000	\$ 5,625,000				
Public Works	\$ 1,738,000	\$ 1,735,000	\$ 3,000			
Human Services	\$ 165,000	\$ 165,000				
Culture and Recreation	\$ 14,657	\$ 14,657				
Debt Service	\$ 845,000	\$ 845,000				
Capital Outlay	\$ 700,000	\$ 700,000				
Unclassified	\$ -	\$ -				
Subtotal Appropriations	\$ 11,434,157	\$ 11,414,657	\$ 19,500	\$ -	\$ -	\$ -
<u>Other Financing Uses:</u>						
Other Financing Uses	\$ -	\$ -				
Transfers to Other Funds	\$ 50,343	\$ 50,343				
Subtotal Other Financing Uses Including Transfers	\$ 50,343	\$ 50,343	\$ -	\$ -	\$ -	\$ -
<u>Total Appropriations and Other Financing Uses:</u>						
	\$ 11,484,500	\$ 11,465,000	\$ 19,500	\$ -	\$ -	\$ -

General Ledger Journal
Entry #1

General Ledger Journal
Entry #2

Instructions for Preparing Budget Control Worksheet - Appropriations

This worksheet is designed to simplify the process of identifying and classifying amounts appropriated by a municipality's authorizing body into a form that will facilitate the preparation of budget journal entries. It should be prepared in connection with other budget control worksheets. It will be noted that the worksheet is presented in summary form (by function, rather than by function, department and expenditure object) for space considerations. It is assumed that a municipality will have prepared a more detailed appropriation worksheet (by function, department and expenditure object) as an intermediary step toward the preparation of this worksheet. The worksheet is most easily prepared if the following sequence of directions is followed:

1. Enter the information from the Clerk's certified copy of amounts appropriated.
2. Review each appropriation and apply the amount to the appropriation fund or funds by functional category. Note that the General Fund will have the most entries, but that special consideration should be given to:

Enterprise Activities – appropriations for operational expenses of a department classified as an enterprise activity should be applied to the Proprietary column.

Operating transfers – It will be necessary to identify any operating transfers (transfers from a fund receiving the revenue to a fund through which the resources are to be expended) appropriated in the annual budget and classify them separately as “estimated other financing uses.”

BUDGET CONTROL WORKSHEET - LOCAL RECEIPTS

	<u>Total</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Fiduciary</u>
<u>Local Estimated Receipts:</u>						
Motor Vehicle Excise	\$ 825,000	\$ 825,000				
Other Excise	\$ -					
Penalties & Interest on Taxes and Excises	\$ 70,000	\$ 70,000				
Payment in Lieu of Taxes	\$ -					
Charges for Services - Water	\$ -					
Charges for Services - Sewer	\$ -					
Charges for Services - Hospital	\$ -					
Charges for Services - Trash Disposal	\$ -					
Other Charges for Services	\$ 2,500	\$ 2,500				
Fees	\$ 26,250	\$ 26,250				
Rentals	\$ 2,500	\$ 2,500				
Departmental Revenue - Schools	\$ 4,500	\$ 4,500				
Departmental Revenue - Libraries	\$ -					
Departmental Revenue - Cemeteries	\$ -					
Departmental Revenue - Recreation	\$ -					
Other Departmental Revenue	\$ -					
Licenses and Permits	\$ 31,500	\$ 31,500				
Special Assessments	\$ -					
Fines and Forfeits	\$ 17,500	\$ 17,500				
Investment Income	\$ 40,000	\$ 40,000				
Miscellaneous Recurring	\$ -					
Miscellaneous Non-Recurring	\$ -					
<u>Total Local Estimated Receipts:</u>	\$ 1,019,750	\$ 1,019,750	\$			

General Ledger Journal
Entry #3

Instructions for Preparing Budget Control Worksheet – Local Receipts

This worksheet is designed to simplify the process of identifying and classifying the information included as local estimated receipts on the Pro Forma or Tax Rate Recap in order to facilitate the preparation of budget journal entries. It should be prepared in connection with other budget control worksheets. The worksheet is most easily prepared if the following sequence of directions is followed:

1. Enter the information that would be found on page 3, local estimated receipts, of the Pro Forma or Tax Rate Recap.
2. Starting with Motor Vehicle Excise, review each line item and apply the amount from column (b) to the fund in which the revenue is portable. Note that the General Fund will have the most entries.

BUDGET CONTROL WORKSHEET - OTHER RECEIPTS

	<u>Total</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Fiduciary</u>
<u>Transfers From Other Funds:</u>	\$ 19,500		\$ 16,500			\$ 3,000
	General Ledger Journal Entry #4					
	<u>Total</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Fiduciary</u>
<u>Other Financing Sources:</u>	\$ 100,000	\$ 100,000				
	General Ledger Journal Entry #5A					
	<u>Total</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Fiduciary</u>
<u>Estimated Tax Levy:</u>	\$ 9,146,201	\$ 8,857,531	\$ 288,670			
	General Ledger Journal Entry #6					
	General Ledger Journal Entry #7					
<u>Total Cherry Sheet Revenues (net of offsets):</u>	\$ 2,046,949					

Instructions for Preparing Budget Control Worksheet – Other Receipts

This worksheet is designed to simplify the process of detailing the information included as transfers from other funds, other financing sources, an estimate of the tax levy net of Overlay, Cherry Sheet distributions and reimbursements from the Clerk's certification of appropriations as well as from other budgetary references. It should be prepared in connection with the other budget control worksheets. The worksheet is most easily prepared if the following sequence of directions is followed:

1. Include as transfers from other funds amounts from the Clerk's certification of appropriations;
2. Include as other financing sources amounts from the Clerk's certification of appropriations;
3. Include an estimate of real and personal property tax levy. This amount may be the municipality's estimated levy limit for the fiscal year or estimated levy determined during the budget process. The amount is net of the Overlay.
4. Include the Cherry Sheet revenue amount as reported to the municipality by the Commissioner of Revenue annually.

BUDGET CONTROL WORKSHEET - OTHER AMOUNTS TO BE RAISED

			General Ledger Journal Entry #8
	Total	General	Proprietary
<u>Total State and County Assessments</u>	\$ 475,000	\$ 475,000	
<u>Allowance for Abatements and Exemptions (Overlay)</u>	\$ 360,000		
			General Ledger Journal Entry #9
<u>Other Amounts to Be Raised By Taxation:</u>	Total	General	Proprietary
Tax Title	\$ -		
Debt and Interest	\$ -		
Final Court Judgments	\$ 10,650	\$ 10,650	
Overlay Deficits	\$ 2,250	\$ 2,250	
Cherry Sheet Offsets	\$ -		
Revenue Deficits	\$ -		
Offset Receipts Deficits	\$ -		
Snow and Ice Deficits	\$ -		
Enterprise Fund Deficits	\$ -		
Other	\$ -		
			General Ledger Journal Entry #10A
			General Ledger Journal Entry #10A

Instructions for Preparing Budget Control Worksheet – Other Amounts to be Raised

This worksheet is designed to simplify the process of detailing the information included as Other Amounts to be Raised as reported on the Pro Forma or Tax Rate Recap. It should be prepared in connection with the other budget control worksheets. The worksheet is most easily prepared if the following sequence of directions is followed:

1. Include the Cherry Sheet assessment amount as reported to the municipality by the Commissioner of Revenue.
2. Include the amount estimated for Overlay for the fiscal year.
3. Include other amounts required to be raised by taxation as they become known.

Illustrative Journal Entries

Illustrative journal entries for the budget control worksheets presented in the preceding exhibits are provided below. All entries are presented for the General Fund. Budget entries for other funds are illustrated in subsequent chapters.

General Fund

1. The initial entry is made as of July 1, the start of the fiscal year, and would record the total appropriations as reflected on the appropriations worksheet.

001-3890	BUDGETARY CONTROL	11,414,657	
001-3830	APPROPRIATIONS		11,414,657

To record the annual budget

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	11,414,657	
001-5100	Personal Services		8,725,000
001-5200	Purchase of Services		450,000
001-5400	Supplies		190,000
001-5600	Intergovernmental		100,000
001-5800	Capital Outlay		700,000
001-5910	Maturing Principal on Long Term Debt		845,000
001-5850	Additional Equipment		404,657

2. Amounts appropriated in the General Fund that will be expended in another fund are recorded as an estimated financing use as follows (note that the fund to which the operating transfer is made will have a similar but opposite entry).

001-3890	BUDGETARY CONTROL	50,343	
001-3870	ESTIMATED OTHER FINANCING USES		50,343

To record budgeted operating transfers-out

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	50,343	
001-5963	Transfer to Capital Projects Funds		5,000
001-5965	Transfer to Proprietary Fund		45,343

Uniform Massachusetts Accounting System – July, 2011

3. Budgeted revenues, as summarized on the Budget Control Worksheet – Local Receipts.

001-3815	ESTIMATED REVENUE	1,019,750	
001-3890	BUDGETARY CONTROL		1,019,750

To record estimated receipts budget

Subsidiary Ledger

001-4150	Motor Vehicle Excise	825,000	
001-4410	Licenses	15,000	
001-4770	Fines and Forfeits	17,500	
001-4240	Non-Enterprise Charges for Usage	2,500	
001-4320	Fees	26,250	
001-4360	Rentals	2,500	
001-4450	Permits	16,500	
001-4340	Tuition	4,000	
001-4350	Pupil Transportation	500	
001-4170	Penalties and Interest on Taxes And Excises	70,000	
001-4820	Earnings on Investments	70,000	
001-4000	Subsidiary Revenue Control		1,019,750

4. Other financing sources to be transferred from other funds for use in the General Fund are recorded as follows (note that the transferring fund will have a similar but opposite entry).

001-3820	ESTIMATED OTHER FINANCING SOURCES	19,500	
001-3890	BUDGETARY CONTROL		19,500

To record budgeted operating transfers in

Subsidiary Ledger

001-4970	Transfer from Special Revenue Funds	19,500	
001-4000	Subsidiary Revenue Control		19,500

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- 5A The amount of "From Available Funds to Reduce Tax Rate" represents the planned use of surplus funds or funds which have been classified as part of the unappropriated fund balance of the municipality. These amounts are not part of the municipality's budgeted revenue or expenditures for the year. Such amounts fund a planned budget deficit and the budgetary entry reflects this fact.

001-3880	BUDGETARY FUND BALANCE	100,000	
001-3890	BUDGTARY CONTROL		100,000

To record other amounts appropriated to revenue

- 5B. Simultaneously, an actual entry must be made to reclassify the amounts reserved from Undesignated Fund Balance.

001-3590	Undesignated Fund Balance	100,000	
001-3240	Fund Balance Reserved for Expenditures		100,000

To record the appropriation of free cash to reduce the tax rate

6. The estimated tax levy is recorded.

001-3810	ESTIMATED TAX LEVY	9,146,201	
001-3890	BUDGETARY CONTROL		9,146,201

To record the estimated tax levy

Subsidiary Ledger

001-4120	Real Property Taxes	8,857,531	
001-4110	Personal Property Taxes	288,670	
001-4000	Subsidiary Revenue Control		9,146,201

7. Expected Cherry Sheet distributions are recorded.

001-3815	ESTIMATED REVENUE	2,046,949	
001-3890	BUDGETARY CONTROL		2,046,949

To record Cherry Sheet distributions from the State, net of offsets

Subsidiary Ledger

001-4610	Reimbursement for Loss of Taxes on State Owned Land	17,400	
001-4610	Abatements to Veterans, Blind & Surviving Spouse	5,700	
001-4610	Abatements to Elderly	12,500	
001-4660	Veterans' Benefits	10,249	
001-4620	Chapter 70	1,771,900	
001-4660	Highway Fund	54,000	
001-4620	Transportation of Pupils	106,600	
001-4620	School Construction Projects	68,600	
001-4000	Subsidiary Revenue Control		2,046,949

8. The current year's assessment for state and county charges is recorded as other authorized expenditures.

001-3890	BUDGETARY CONTROL	475,000	
001-3860	OTHER AUTHORIZED EXPENDITURES		475,000

To record state and county assessments for the fiscal year

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	475,000	
001-5621	County Tax		140,000
001-5631	Special Education		60,000
001-5641	Metropolitan Area Planning Council		25,000
001-5661	MBTA		250,000

9. The Overlay for the current year is recorded as a reduction of estimated revenue.

001-3890	BUDGETARY CONTROL	360,000	
001-3815	ESTIMATED REVENUE		360,000

To record the Overlay for the fiscal year

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	360,000	
001-4130	Abatements and Exemptions		360,000

- 10A. The final budget amounts to be recorded are “Other Amounts to be Raised.” The “Other Amounts” are raised in the current year’s levy to offset expenditures made in the prior year and will accordingly be credited directly to the Budgetary Fund Balance account. At the same time that the budget entry is recorded, an additional entry will be made to restore each of these amounts to the Undesignated Fund Balance account. Such amounts were segregated during the prior year’s closeout process to ensure that they were raised in the current year’s levy. Note that the latter entry is not a budget entry, but a reclassification within non-budgetary accounts.

001-3890	BUDGETARY CONTROL	12,900	
001-3880	BUDGETARY FUND BALANCE		12,900

To record “other amounts to be raised” included in the fiscal year tax levy

Final Court Judgments	10,650
Unprovided Abatements	2,250

There is no entry necessary in the subsidiary ledger

- 10B. Simultaneously, an actual entry must be made to reclassify the amounts reserved to Undesignated Fund Balance.

001-3590	Undesignated Fund Balance	12,900	
001-3595	Unreserved Fund Balance –		
	Final Court Judgments		10,650
001-3594	Unreserved Fund Balance - Unprovided		
	Abatements and Exemptions		2,250

To reclassify various fund balance accounts to Unreserved Fund Balances

CHAPTER 9 – GENERAL FUND

The General Fund is the largest and single most important fund of a local government. Most of a local government's revenue resources are accounted for in it and substantially all of the day-to-day departmental operating expenditures are financed and accounted for in it. The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Generally, all funds received by a governmental entity belong to the General Fund under G.L. c. 44, § 53, unless otherwise directed by Massachusetts General Laws or by Special Acts of the Massachusetts Legislature. The General Fund is considered an unrestricted operating fund.

Grants must be separated as well as funds received in which the entity is acting as a trustee or agent. It is improper for a governmental entity to reserve General Fund monies in any other fund without proper authority granted by legislation or by the Director of Accounts.

The principal revenue resources of the General Fund include real estate and personal property taxes (assessments for districts), motor vehicle and other excises, departmental receipts and state aid. With the exception of the portion of the annual budget which is funded through Enterprise and certain Special Revenue Funds, substantially all of the annual budget and recurring departmental expenditures are accounted for in the General Fund.

The General Fund will also have transactions with other funds. Examples of these transactions, or transfers, are shown in this chapter.

Budget

A governmental entity's annual budget will be formally recorded in budgetary accounts and integrated into the General Fund general ledger.

General Fund Accounting

The principal source of revenue for the General Fund is the property tax. The journal entries illustrate the types of entries that may be made during a fiscal year from the Opening to the Closing Trial Balance. Dollar values have been assigned to the entries to assist the reader in following the presentation.

Illustrative Journal Entries

Accounting for the activities of the General Fund is depicted through a series of journal entries in the following pages. The entries have been grouped under the following general categories:

- Budget Entries (see chapter 8 for budgetary journal entries);
- Opening Trial Balance;
- Prior Fiscal Year Matters;
- Expenditures and Other Cash Disbursements;
- Appropriation from Free Cash;
- Inter-Fund Transfers;
- Intra-Fund Transfers;
- Emergency Spending;
- State/County Notice of Estimated Receipts and Charges – The Cherry Sheet;
- Commitment of Property and Excise Taxes;
- Collection of Property and Excise Taxes;
- Abatement and Exemption of Property and Excise Taxes;
- Refund of Property and Excise Taxes;
- Refund and Collection of Deferred Real Property Tax;
- Tax Liens;
- Tax Foreclosures;
- Taxes in Litigation;
- Departmental Receivables and Direct Receipts;
- Investment of Cash;
- Borrowing;
- Petty Cash;
- Overlay;
- Tailings;
- Year-End Transactions;
- Closing Entries
- Closing Trial Balance

Opening Trial Balance

- 1.) The prior fiscal year's General Fund Closing Trial Balance is brought forward and recorded as the current fiscal year's General Fund Opening Trial Balance.

001-1040 Cash – Unrestricted	589,250	
001-1110 Short Term Investments	316,750	
001-1210 Personal Property Taxes Receivable FY20xx	50,000	
001-1220 Real Estate Taxes Receivable FY20xx	295,000	
001-2610 Deferred Revenue – Real and Personal Property Taxes		305,000
001-1230 Allowance for Abatements and Exemptions FY20xx		40,000
001-1240 Tax Liens Receivable	32,250	
001-2622 Deferred Revenue – Tax Liens		32,250
001-1260 Motor Vehicle Excise Receivable FY20xx	215,500	
001-2630 Deferred Revenue – Motor Vehicle Excise FY20xx		215,500
001-2010 Warrants Payable		250,000
001-3240 Fund Balance Reserved for Expenditures		100,000
001-3590 Undesignated Fund Balance		567,900
001-3594 Unreserved Fund Balance – Overlay Deficit	2,250	
001-3595 Unreserved Fund Balance – Final Court Judgments	9,650	
	1,510,650	1,510,650

To record the current fiscal year's General Fund opening entry as shown by a trial balance of accounts as of the close of the previous fiscal year

Prior Fiscal Year Matters

Prior Fiscal Year Warrants Payable

- 2.) Warrants Payable are paid after the governmental entity approves the payment warrant.

001-2010	Warrants Payable	250,000	
001-1040	Cash - Unrestricted		250,000

To record payment of Warrants Payable

No Subsidiary Ledger Entry

Prior Fiscal Year Unpaid Bills (Not Encumbered)

Prior fiscal year unpaid bills may be appropriated for in the new fiscal year and paid from the new fiscal year's budget in a town at an annual meeting by a four-fifths vote, or at a special meeting by a nine-tenths vote, of the voters present and voting, and in a city which accepts G.L. c. 44, § 64, by a two-thirds vote of the city council.

Prior fiscal year unpaid bills due to any other town or to a district, a city, a county or the commonwealth, or for legally incurred debt and interest the payment of which is provided for by any general or special law require a majority vote of the governmental entity's legislative body.

3.) The governmental entity approves and pays prior fiscal year bills.

001-3930	Expenditures	12,000	
001-1040	Cash – Unrestricted		12,000

To record payment of a prior fiscal year's unpaid bill - warrant # _____

Subsidiary Ledger

001-5210	Energy	12,000	
001-5000	Subsidiary Appropriation Control		12,000

Expenditures and Other Cash Disbursements

The following journal entries assume that the governmental entity does not utilize an encumbrance system (a system of recording purchase orders). All expenditures or cash disbursements must be authorized by an approved treasury warrant (G.L. c. 41, § 56).

Payroll

Payroll is computed for the period from various supporting documentation submitted by each department. A payroll warrant is generally prepared for the gross amount approved by the department head and individual checks are prepared for the net pay of each employee. Various withholding amounts are deposited with the Treasurer who reports them on the Treasurer's Report of Cash Received. After review and approval by the Accountant, payroll is entered on a Treasurer's payroll disbursement warrant.

- 4.) The governmental entity pays salaries from the General Fund and withholdings from an Agency Fund. It is acceptable to expend withholdings directly from the General Fund, but there is no subsidiary ledger for them.

001-3930	Expenditures	350,000	
001-1040	Cash - Unrestricted		250,000
001-2120	Federal Income Tax Withholdings Payable		25,000
001-2130	State Income Tax Withholdings Payable		25,000
001-2140	Retirement Withholdings Payable		25,000
001-2150	Insurance Withholdings Payable		25,000

To record the payroll expenditures – warrant # _____

Subsidiary Ledger

001-5110	Salaries and Wages, Permanent Positions	325,000	
001-5120	Salaries and Wages, Temporary Positions	25,000	
001-5000	Subsidiary Appropriation Control		350,000

- 5.) The employees' withholdings are transferred to an Agency Fund.

001-2120	Federal Income Tax Withholdings Payable	25,000	
001-2130	State Income Tax Withholdings Payable	25,000	
001-2140	Retirement Withholdings Payable	25,000	
001-2150	Insurance Withholdings Payable	25,000	
001-1040	Cash – Unrestricted		100,000

To record transfer of employees' withholdings to an Agency Fund

Subsidiary Ledger

001-5966	Transfers to Special Purpose Trust and Agency Funds	100,000	
001-5000	Subsidiary Appropriation Control		100,000

- 6.) The remittance of employee amounts withheld is reported through the Treasurer's disbursement warrant and is expended from the Agency Fund. The employer's share of the expenditure is paid from the General Fund. The following example reflects payment of the employer's share to the insurance provider.

001-3930	Expenditures	100,000	
001-1040	Cash – Unrestricted		100,000

To record the remittance of the employer's share of payroll withholdings –
warrant # _____

Subsidiary Ledger

001-5170	Unemployment Insurance	50,000	
001-5170	Health Insurance (employer's portion)	50,000	
001-5000	Subsidiary Appropriation Control		100,000

Vendor Bills

- 7.) These entries record all the expenditures other than payroll which are reported on the Treasurer's warrant. The payment requests forwarded by the departments are compiled and the expenditure warrant for goods and services and other departmental expenditures is prepared.

001-3930	Expenditures	150,000	
001-1040	Cash - Unrestricted		150,000

To record the expenditures charged to current year appropriations – warrant

Subsidiary Ledger

001-5210	Energy	100,000	
001-5240	Repairs and Maintenance	15,000	
001-5300	Professional and Technical	35,000	
001-5000	Subsidiary Appropriation Control		150,000

Vendor Refund

- 8.) The governmental entity receives a refund from a vendor for a bill overpayment and is reported through the Treasurer's Report of Cash Received.

001-1040	Cash – Unrestricted	2,000	
001-3930	Expenditures		2,000

To record the receipt of a vendor refund for expenditures paid

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	2,000	
001-5420	Office Supplies		1,000
001-5430	Building and Equipment Repairs and Maintenance Supplies		1,000

Appropriation from Free Cash

- 9.) During the fiscal year, the governmental entity's legislative body appropriates a supplemental budget from free cash.

001-3880	BUDGETARY FUND BALANCE	10,000	
001-3890	BUDGETARY CONTROL		10,000
001-3890	BUDGETARY CONTROL	10,000	
001-3830	APPROPRIATIONS		10,000

To record the transfer of free cash to appropriations

- 10.) Undesignated Fund Balance must be adjusted to reflect the reservation of free cash.

001-3590	Undesignated Fund Balance	10,000	
001-3240	Fund Balance Reserved for Expenditures		10,000

To adjust Undesignated Fund Balance for supplemental appropriation

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	10,000	
001-5270	Rentals and Leases		10,000

11.) The bill for Rentals and Leases is paid.

001-3930	Expenditures	10,000	
001-1040	Cash – Unrestricted		10,000

To record payment of bill funded by free cash

Subsidiary Ledger

001-5270	Rentals and Leases	10,000	
001-5000	Subsidiary Appropriations Control		10,000

Inter-fund Transfers

When the General Fund “purchases” a good or service already paid for by another fund, it is reported as an Expenditure and release of Cash from the General Fund.

12.) A Recreation Department (General Fund) employee fills two vehicles with gasoline at the Water Department (Enterprise Fund) gasoline pump.

001-3930	Expenditures	100	
001-1040	Cash – Unrestricted		100

To record the purchase of gasoline from the Water Enterprise Fund. A corresponding reduction of expenditures will occur in the Water Enterprise Fund.

Subsidiary Ledger

001-5480	Vehicular Supplies	100	
001-5000	Subsidiary Appropriation Control		100

When a fund, other than the General Fund, “purchases” a good or service already paid for by the General Fund, it is reported as a receipt of Cash and a reduction to Expenditures in the General Fund.

- 13.) The Water Department (Enterprise Fund) “purchases” office supplies from the Central Purchasing Department (General Fund).

001-1040	Cash – Unrestricted	250	
001-3930	Expenditures		250

To record the sale of office supplies to the Enterprise Fund. A corresponding entry to record expenditures will occur in the Water Enterprise Fund.

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	250	
001-5420	Office Supplies		250

An inter-fund transfer from the General Fund to another fund is reported as an Other Financing Use and as a release of Cash in the General Fund. It is also reported as an Other Financing Source in the receiving fund.

- 14.) A transfer from the Reserve Fund is voted to repair a water break. The Water Department is accounted for in an Enterprise Fund.

001-3830	APPROPRIATIONS	1,000	
001-3890	BUDGETARY CONTROL		1,000
001-3890	BUDGETARY CONTROL	1,000	
001-3870	ESTIMATED OTHER FINANCING USES		1,000

To record transfer from the Reserve Fund

- 15.) The actual entry for the Reserve Fund transfer is recorded.

001-3970	Other Financing Uses	1,000	
001-1040	Cash – Unrestricted		1,000

To record the actual entry of the Reserve Fund transfer

Subsidiary Ledger

001-5965	Transfers to Proprietary Funds	1,000	
001-5000	Subsidiary Appropriation Control		1,000

- 16.) Funds are transferred from the General Fund to the Capital Projects Fund toward a sewer project.

001-3970	Other Financing Uses	20,000	
001-1040	Cash – Unrestricted		20,000

To record the transfer to the capital projects fund

Subsidiary Ledger

001-5963	Transfers to Capital Projects Fund	20,000	
001-5000	Subsidiary Appropriation Control		20,000

An inter-fund transfer from Ambulance Receipts Reserved to supplement the General Fund Fire Department operating budget is reported as a receipt of Cash and as an Other Financing Source in the General Fund. It is also reported as an Other Financing Use in the sending fund.

- 17.) A transfer is voted from a Special Revenue Fund for use in the General Fund.

001-1040	Cash – Unrestricted	19,500	
001-3920	Other Financing Sources		19,500

To record the transfer from the Special Revenue Fund

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	19,500	
001-4972	Transfers From Special Revenue Funds		19,500

- 18.) The governmental entity expends funds for special education purposes, reimbursable from the State Special Education Reimbursement Fund, or “circuit breaker.” The entity first incurs the cost in the General Fund.

001-3930	Expenditures	200,000	
001-1040	Cash – Unrestricted		200,000

To record expenditure of funds for special education

Subsidiary Ledger

001-5320	Special Education Tuition	200,000	
001-5000	Subsidiary Appropriation Control		200,000

19.) The “circuit breaker” reimbursement is recorded into a Special Revenue Fund and the General Fund expenditures are transferred into that fund.

001-1040	Cash – Unrestricted	200,000	
001-3930	Expenditures		200,000

To reimburse General Fund for special education expenditures. A corresponding entry to record expenditures will occur in the Special Revenue Fund.

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	200,000	
001-5320	Special Education Tuition		200,000

Intra-fund Transfers

Although some of these transfers may have no net effect on the general ledger, they are reflected in the general ledger accounts to provide accounting control and an audit trail.

20.) The appropriating authority votes to transfer funds from a salaries and wages account to a repairs and maintenance account.

001-3830	APPROPRIATIONS	2,000	
001-3830	APPROPRIATIONS		2,000

To record transfer of fund from salaries and wages to repairs and maintenance

Subsidiary Ledger

001-5110	Salaries and Wages - Permanent	2,000	
001-5000	Subsidiary Appropriation Control		2,000
001-5000	Subsidiary Appropriation Control	2,000	
001-5240	Repairs and Maintenance		2,000

21.) The Reserve Fund is voted by the Finance Committee for an unanticipated equipment repair.

001-3830	APPROPRIATIONS	5,000	
001-3830	APPROPRIATIONS		5,000

To record transfer from Reserve Fund

Subsidiary Ledger

001-5780	Other Unclassified Items	5,000	
001-5850	Additional Equipment		5,000

22.) The Fund Balance Reserved for Overlay Surplus is appropriated during the fiscal year to provide funding for plumbing repairs in the government building.

001-3880	BUDGETARY FUND BALANCE	3,000	
001-3890	BUDGETARY CONTROL		3,000

001-3890	BUDGETARY CONTROL	3,000	
001-3830	APPROPRIATIONS		3,000

To record transfer from overlay surplus

23.) At the time of this appropriation, the fund balance is adjusted.

001-3220	Fund Balance Reserved for Overlay Surplus	3,000	
001-3590	Undesignated Fund Balance		3,000

To adjusted fund balance for this appropriation

Subsidiary Ledger

001-5000	Subsidiary Appropriation Control	3,000	
001-5240	Repairs and Maintenance		3,000

24.) The payment is made for Repairs and Maintenance.

001-3930	Expenditures	3,000	
001-1040	Cash – Unrestricted		3,000

To record payment for repairs and maintenance from Overlay Surplus

Subsidiary Ledger

001-5240	Repairs and Maintenance	3,000	
001-5000	Subsidiary Appropriations Control		3,000

Emergency Spending (G.L. c. 44, § 31)

In only certain circumstances may cities, towns or districts incur a liability in excess of appropriation. G.L. c. 44, § 31 allows for such spending in cases of major disaster, including, but not limited to, flood, drought, fire, hurricane, earthquake, storm or other catastrophe, whether natural or otherwise, which poses an immediate threat to the health or safety of persons or property, and then only by a vote in a city of two-thirds of the members of the city council, and in a town by a majority vote of all the selectmen.

The governmental entity must vote that an emergency exists (except if the Governor declares such an emergency for the state as a whole) and payment of such liabilities may only occur after approval by the Director of Accounts. Separate accounts should be created for multiple c. 44, § 31 approvals to prepare for any final reporting requirement or necessary borrowing authorization. Such amounts expended after the tax rate for the fiscal year has been certified by the Director of Accounts, less any reimbursements received for the emergency, must be provided for on the next fiscal year's tax rate. Such amounts expended after July 1 of the next fiscal year, less any reimbursements received for the emergency, may be provided for on that fiscal year's tax rate, otherwise must be provided for in the following fiscal year's tax rate.

25.) The governmental entity expends emergency funds in accordance with G.L. c. 44, § 31 after certification of the current fiscal year's tax rate. No reimbursement from any source (e.g. FEMA/MEMA, insurance) is anticipated. Expenditures are authorized as per the law and must be provided for as indicated above unless otherwise indicated by the Director. Note that an Adjusting entry reserves a portion of fund balance which must be raised in the next fiscal year's tax rate unless otherwise provided for.

001-3930	Expenditures	100,000	
001-1040	Cash - Unrestricted		100,000

To record the emergency expenditures per c. 44, § 31

Subsidiary Ledger

001-5240	Repairs and Maintenance	100,000	
001-5000	Subsidiary Appropriation Control		100,000

Alternative treatment for G.L. c. 44, § 31 expenditures and receipt of reimbursement funds (exclusive of insurance proceeds)

The above entry records the expenditure of emergency funds and receipt of FEMA/MEMA reimbursements in the General Fund. An alternative treatment is as follows:

- record the expenditures in the General Fund;
- establish a Special Revenue Fund for an anticipated FEMA/MEMA reimbursement;
- record the reimbursement in the Special Revenue Fund;
- transfer the expenditures from the General Fund to the Special Revenue Fund.

Any deficit in the Special Revenue Fund must be raised on the next fiscal year's tax rate unless otherwise provided for as required by the Director of Accounts.

Any surplus in the Special Revenue Fund after all final expenditures on the emergency are transferred to the General Fund and close to fund balance on June 30.

Final Court Judgments, Industrial Accident Board Awards or Orders of Payment Each in Excess of \$10,000, G.L. c. 44, § 31

A court judgment or an Industrial Accident Board award or order of payment prior to the end of the fiscal year but after the tax rate for that fiscal year has been certified by the Director of Accounts, is paid for then raised without appropriation in the next fiscal year's tax rate unless otherwise provided for.

The law allows for payment of the judgment greater than \$10,000, after the tax rate has been certified, prior to June 30 with the approval of the Director of Accounts. A judgment of \$10,000 or less may be paid without the Director's approval, but with the same requirement to be provided. A judgment for any amount rendered after July 1 and prior to the setting of the next fiscal year's tax rate may be added as an amount to be provided without appropriation on the Tax Rate Recap without the Director's approval.

- 26.) The local governmental unit is ordered to pay a final judgment by the court after the tax rate has been certified by the Director of Accounts and pays it through an approved warrant pursuant to G.L. c. 44, § 31. Note that an Adjusting entry reserves a portion of fund balance which must be raised in the next fiscal year's tax rate unless otherwise provided for.

001-3930	Expenditures	15,000	
001-1040	Cash – Unrestricted		15,000

To record the expenditures on warrant #_____

Subsidiary Ledger

001-5760	Judgments	15,000	
001-5000	Subsidiary Appropriation Control		15,000

Snow and Ice (G.L. c. 44, § 31D)

Under certain conditions per G. L. c. 44, § 31D, cities and towns may expend funds for snow and ice removal in excess of appropriation and include the excess amount without appropriation in the next fiscal year's tax rate if not otherwise provided for as required by the Director of Accounts.

Any reimbursement from FEMA or MEMA for storm related expenditures may be recorded to the General Fund and may, depending upon the timing of receipt, be used (1) as an estimated receipt on the next Tax Rate Recap, (2) may without appropriation net the snow and ice deficit that must be provided for on the next Tax Rate Recap or (3) may close to the General Fund Balance.

Governmental entities may reserve a snow and ice deficit on its balance sheet to be provided for on the next tax rate without appropriation assuming procedures are followed under G.L. c. 44, § 31D. Deficit spending from this account is authorized for only those expenditures directly related to the removal of snow and ice that are variable and unpredictable from year to year depending on the severity of the winter. Typically, these expenditures include overtime costs for DPW plowing crews, the cost of extra sand and chemicals to be spread on the roads, and the cost of hiring plows and drivers during storms. Deficit spending is not authorized for expenditures for regular, recurring DPW activities or salaries that are predictable and do not vary with the weather in any given winter. Entities must budget for these regular activities separately.

Note that an adjusting entry reserves a portion of fund balance which represents the over-draft and which must be raised on the next fiscal year's tax rate unless otherwise provided for.

27.) The governmental entity records snow and ice expenditures.

001-3930	Expenditures	75,000	
001-1040	Cash – Unrestricted		75,000

To record expenditures for snow and ice

Subsidiary Ledger

001-5530	Public Works Supplies	75,000	
001-5000	Subsidiary Appropriation Control		75,000

Alternative treatment for G.L. c. 44, § 31D expenditures and receipt of reimbursement funds

See “Alternative treatment for G.L. c. 44, § 31 expenditures and receipt of reimbursement funds (exclusive of insurance proceeds)” after entry #25 above. This alternative treatment can also apply to snow and ice.

State/County Notice of Estimated Receipts and Charges – The Cherry Sheet

The Cherry Sheet is the official notification by the Commissioner of Revenue to communities and regional school districts of estimated state receipts as well as state and county charges to be assessed over the next fiscal year. Cherry Sheets are issued once the state budget is enacted by the Legislature and approved by the Governor.

Cherry Sheet Offsets (school lunch, school choice receiving tuition, public libraries) are recorded in the special revenue fund when received.

- 28.) The county tax assessment for the period is paid. Although the county tax assessment appears on the Cherry Sheet, it is assessed directly by the county upon the community, rather than by the state. G.L. c. 35, §31 requires the county assessment to be paid one-half on November 1 and the other half on May 1.

001-3930	Expenditures	40,000	
001-1040	Cash – Unrestricted		40,000

To record the expenditures for the county tax assessment - warrant

Subsidiary Ledger

001-5621	County Tax	40,000	
001-5000	Subsidiary Appropriation Control		40,000

State distributions are received and reported through the Treasurer's Report of Cash Received. The governmental entity receives state distributions and reimbursements net of state assessments and charges on a scheduled basis. This practice is typical and the general ledger entry must reflect the actual transaction.

- 29.) The governmental entity receives a gross distribution of \$450,000, a gross assessment of \$50,000 and a net check (or wire) of \$400,000. The general ledger entry records the actual transaction. Note that there are two separate subsidiary entries.

001-1040	Cash – Unrestricted	400,000	
001-3970	Other Financing Uses	50,000	
001-3910	Revenue		450,000

To record the receipt of various state distributions

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	450,000	
001-4610	Chapter 70		250,000
001-4620	Unrestricted General Government Aid		100,000
	Veterans Benefits		50,000
	Exemptions: Vets, Blind, Surviving Spouses & Elderly		50,000
001-5650	School Choice Sending Tuition	30,000	
001-5650	Charter School Sending Tuition	20,000	
001-5000	Subsidiary Appropriation Control		50,000

30.) The state makes a payment deducted from the governmental entity's aid for debt service on a qualified bond under G.L. c. 44A, § 7. Qualified bond debt service, however, must still be appropriated by the governmental entity. The Accountant is authorized to record this transaction as an Expenditure from a Debt Service appropriation. Note that there are two separate subsidiary ledger entries.

001-1040	Cash – Unrestricted	30,000	
001-3930	Expenditures	10,000	
001-3910	Revenue		40,000

To record the payment of debt service on qualified bond

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	40,000	
001-4620	Chapter 70		40,000
001-5910	Maturing Principal on Long Term Debt	8,000	
001-5915	Interest on Long Term Debt	2,000	
001-5000	Subsidiary Appropriation Control		10,000

31.) The State deducts from Cherry Sheet aid its loss of interest on funds spent to pay qualified bond debt service. The governmental entity receives a gross distribution of \$20,000, a gross assessment of \$5,000 and a net check (or wire) of \$15,000. The Accountant is authorized to record this transaction as an Expenditure from a Short-Term Interest appropriation. Note that there are two separate subsidiary ledger entries.

001-1040	Cash – Unrestricted	15,000	
001-3930	Expenditures	5,000	
001-3910	Revenue		20,000

To record the payment of debt service on qualified bond

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	20,000	
001-4610	State Owned Land		20,000
001-5925	Interest on Notes	5,000	
001-5000	Subsidiary Appropriation Control		5,000

Revenues

The following journal entries describe the various types of General Fund revenues.

Commitment of Property and Excise Taxes

Commitment of Real and Personal Property Tax

The taxation of real and personal property is the principal source of revenue for governmental entities that assess a property tax. Revenue from these sources is recognized on the cash basis or when collections are received. An allowance for possible abatements and exemptions is provided in the accounting records from the Tax Rate Recap. The receivables and allowance should be maintained in the general ledger by year of commitment.

There are four forms of annual property tax billing:

- Actual Semi-Annual;
- Preliminary Semi-Annual;
- Optional Semi-Annual; and
- Quarterly.

- 32.) The commitment of preliminary semi-annual, optional semi-annual or quarterly property taxes is recorded when presented with a warrant to the Collector by the Assessors and a copy to the Accountant. Estimated property tax receivables are recorded by levy year.

001-1251	Estimated Personal Property Taxes Receivable FYxx	250,000
001-1252	Estimated Real Estate Taxes Receivable FYxx	2,000,000
001-2610	Deferred Revenue – Real and Personal Property Taxes	2,250,000

To record commitment of estimated real and personal property taxes

No Subsidiary Ledger Entry

- 33.) The commitment of actual real estate and personal property taxes is recorded when presented with a warrant to the Collector by the Assessors and a copy to the Accountant. This commitment follows certification of the tax rate by the Director of Accounts. Property tax receivables and allowance are recorded by levy year.

001-1210	Personal Property Taxes Receivable FYxx	500,000
001-1220	Real Estate Taxes Receivable FYxx	4,000,000
001-2610	Deferred Revenue – Real and Personal Property Taxes	4,500,000

To record commitment of actual real and personal property taxes

No Subsidiary Ledger Entry

- 34.) The Allowance for Abatements and Exemptions (Overlay) is recorded as reported on the Tax Rate Recap from which the fiscal year's tax rate was certified. The Allowance is recorded by levy year.

001-2610	Deferred Revenue – Real and Personal Property Taxes	250,000
001-1230	Allowance for Abatements and Exemptions FYxx	250,000

To record the Overlay for the fiscal year

No Subsidiary Ledger Entry

- 35.) Once the actual real and personal property tax for the fiscal year has been committed, the preliminary real and personal property tax commitment can now be reversed.

001-2610	Deferred Revenue – Real and Personal Property Taxes	2,250,000
001-1251	Estimated Personal Property Taxes Receivable FYxx	250,000
001-1252	Estimated Real Estate Taxes Receivable FYxx	2,000,000

To reverse the commitment of preliminary real and personal property taxes

No Subsidiary Ledger Entry

Commitment of Motor Vehicle Excise Tax

The commitment of Motor Vehicle Excise is recorded when committed to the Collector similar to property taxes, except there is no Overlay. Revenue is recognized on the cash basis (when collections are received).

- 36.) The commitment for Motor Vehicle Excise with the warrant is forwarded to the Collector by the Assessors and a copy to the Accountant periodically during the fiscal year. Motor Vehicle Excise receivables are recorded by levy year.

001-1260	Motor Vehicle Excise Receivable FYxx	790,000
001-2630	Deferred Revenue – Motor Vehicle Excise	790,000

To record commitment #11 of FY20xx Motor Vehicle Excise

No Subsidiary Ledger Entry

Commitment of Boat Excise

The commitment of Boat Excise is recorded when committed to the Collector similar to property taxes, except there is no Overlay. Revenue is recognized on the cash basis (when collections are received).

- 37.) The commitment for Boat Excise with the warrant is forwarded to the Collector by the Assessors and a copy to the Accountant periodically during the fiscal year. Boat Excise receivables are recorded by levy year.

001-1270	Boat Excise Receivable FYxx	20,000	
001-2641	Deferred Revenue – Boat Excise		20,000

To record commitment #1 of FY20xx Boat Excise

No Subsidiary Ledger Entry

Collection of Property and Excise Taxes

Collection of Real and Personal Property Tax

- 38.) The Collector remits to the Treasurer the collections on Real Estate and Personal Property Taxes collected throughout the fiscal year.

001-1040	Cash – Unrestricted	4,200,000	
001-1210	Personal Property Taxes Receivable FYxx		400,000
001-1220	Real Estate Taxes Receivable FYxx		3,800,000

To record cash receipt of Real Estate and Personal Property taxes

- 39.) Deferred Revenue must be adjusted for the property taxes collected so that the property tax receivable will remain equal to the Allowance (Overlay) plus Deferred Revenue.

001-2610	Deferred Revenue – Real and Personal Property Taxes	4,200,000	
001-3910	Revenue		4,200,000

To adjust Deferred Revenue – Real and Personal Property Taxes

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	940,000	
001-4110	Personal Property Taxes		400,000
001-4120	Real Estate Taxes		3,800,000

- 40.) The Collector remits to the Treasurer the collection on Penalties and Interest on Taxes collected throughout the fiscal year.

001-1040	Cash – Unrestricted	50,000	
001-3910	Revenue		50,000

To record penalties and interest into Revenue

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	50,000	
001-4170	Penalties and Interest on Taxes and Excises		50,000

Collection of Motor Vehicle Excise

- 41.) The Collector remits to the Treasurer the collections on Motor Vehicle Excise and Penalties and Interest on Taxes and Excises collected throughout the fiscal year. Penalties and Interest are not committed. The Treasurer's Report of Cash Received is submitted to the Accountant throughout the fiscal year and is agreed to the Collector's transmittal sheet.

001-1040	Cash – Unrestricted	768,000	
001-1260	Motor Vehicle Excise Receivable FYxx		760,000
001-3910	Revenue		8,000

To record cash collected on motor vehicle excise

- 42.) Motor Vehicle Excise taxes collected are transferred to Revenue throughout the fiscal year.

001-2630	Deferred Revenue – Motor Vehicle Excise	760,000	
001-3910	Revenue		760,000

To record the collections into Revenue and adjust Deferred Revenue

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	768,000	
001-4150	Motor Vehicle Excise		760,000
001-4170	Penalties and Interest on Taxes and Excises		8,000

Collection of Boat Excise

- 43.) One-half of Boat Excise Receivable collected plus the full amount of interest collected for late payments remains in the General Fund. The remaining one-half of Boat Excise Receivable collected plus the full amount of any penalty imposed and collected for late payment (not including interest) is transferred to the Municipal Waterways Improvement and Maintenance Fund (G.L. c. 60B, §§2(i) and 4). The Treasurer's Report of Cash Received is submitted to the Accountant and is agreed to the Collector's transmittal sheet.

001-1040	Cash – Unrestricted	18,000	
	Revenue		1,000
001-1270	Boat Excise Receivable FYxx		17,000

To record cash collected on boat excise

- 44.) The General Fund owes the Municipal Waterways Improvement and Maintenance Fund one-half of the Boat Excise collections and cash will be transferred at a later time. This transaction recognizes the liability in the General Fund that should be liquidated by June 30. Because cash will be transferred at a later time, a "Due To" is established in the General Fund. Concurrently, a "Due From" is established in the Municipal Waterways Improvement and Maintenance Fund.

001-2641	Deferred Revenue – Boat Excise	17,000	
001-3910	Revenue		8,500
001-2310	Due to Special Revenue Funds		8,500

To record the collections into Revenue, adjust Deferred Revenue and transfer one-half to the Special Revenue Fund

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	9,500	
001-4160	Other Excise		8,500
001-4170	Penalties and Interest on Taxes and Excises		1,000

45.) The cash is transferred from the General Fund to the Municipal Waterways Improvement and Maintenance Fund.

001-2310	Due To Special Revenue Funds	8,500	
001-1040	Cash - Unrestricted		8,500

Subsidiary Ledger

001-5962	Transfers to Special Revenue Funds	8,500	
001-5000	Subsidiary Appropriations Control		8,500

Abatement and Exemption of Property and Excise Taxes

Abatement and Exemption of Real and Personal Property Tax

46.) The summary of abatements and exemptions for each month is forwarded to the Accountant from the Assessors.

001-1230	Allowance for Abatements and Exemptions	250,000	
001-1211	Personal Property Taxes Receivable FYxx		25,000
001-1220	Real Estate Taxes Receivable FYxx		225,000

To record abatements and exemptions for the period

No Subsidiary Ledger Entry

Abatement of Motor Vehicle Excise

47.) The summary of abatements issued on Motor Vehicle Excise is forwarded to the Collector and to the Accountant by the Assessors throughout the fiscal year. There is no interest on the abatement unless ordered by the Appellate Tax Board or the County Commissioners.

001-2630	Deferred Revenue – Motor Vehicle Excise	23,000	
001-1260	Motor Vehicle Excise Receivable FYxx		23,000

To record abatements on Motor Vehicle Excise for the period

No Subsidiary Ledger Entry

Abatement of Boat Excise

48.) The summary of abatements issued on boat excise is forwarded to the Collector and to the Accountant by the Assessors throughout the fiscal year. There is no interest on the abatement unless ordered by the Appellate Tax Board or the County Commissioners.

001-2641	Deferred Revenue – Boat Excise	2,000	
001-1270	Boat Excise Receivable FYxx		2,000

To record abatements on Boat Excise for the period

No Subsidiary Ledger Entry

Refund of Property and Excise Taxes

Refund of Real and Personal Property Tax

49.) A real estate tax payment was received in excess of the total amount due. A refund is reported on the Treasurer's expenditure warrant. There is no interest due the taxpayer on a refund.

001-1220	Real Estate Taxes Receivable FYxx	1,000	
001-1040	Cash – Unrestricted		1,000

To record refund of Real Estate Tax due for the period

50.) The Revenue and Deferred Revenue accounts are adjusted for the refund.

001-3910	Revenue	1,000	
001-2610	Deferred Revenue – Real and Personal Property Taxes		1,000

To adjust Revenue and Deferred Revenue accounts for refund

Subsidiary Ledger

001-4120	Real Estate Taxes	1,000	
001-4000	Subsidiary Revenue Control		1,000

Refund of Motor Vehicle Excise

51.) A motor vehicle excise tax payment was received in excess of the total amount due. A refund is reported on the Treasurer's expenditure warrant.

001-1260	Motor Vehicle Excise Receivable FYxx	500	
001-1040	Cash – Unrestricted		500

To record refund of overpayment collected on Motor Vehicle Excise

52.) The Revenue and Deferred Revenue accounts are adjusted for the refund

001-3910	Revenue	500	
001-2630	Deferred Revenue – Motor Vehicle Excise		500

To adjust Revenue and Deferred Revenue for the Motor Vehicle Excise refund

Subsidiary Ledger

001-4150	Motor Vehicle Excise	500	
001-4000	Subsidiary Revenue Control		500

Refund of Boat Excise

53.) A boat excise tax payment was received in excess of the total amount due. A refund is reported on the Treasurer's expenditure warrant.

001-1270	Boat Excise Receivable FYxx	500	
001-1040	Cash – Unrestricted		500

To record refund of overpayment collected on Boat Excise

54.) The Revenue and Deferred Revenue accounts are adjusted for the refund.

001-3910	Revenue	500	
001-2641	Deferred Revenue – Boat Excise		500

To adjust Revenue and Deferred Revenue for the Boat Excise refund

Subsidiary Ledger

001-4160	Boat Excise	500	
001-4000	Subsidiary Revenue Control		500

Deferral and Collection of Deferred Real Property Tax (G.L. c. 59, § 5(18A and 41A)

Deferral of Property Tax

Certain seniors and taxpayers with temporary financial hardships may be granted a deferral on their real property tax for a period of time. See Division of Local Services Guidance for details on these matters.

55.) A deferral of property tax is granted by the Board of Assessors after proper application.

001-1253	Deferred Property Tax Receivable FYxx	3,000	
001-2620	Deferred Revenue – Deferred Property Tax		3,000

To establish the Deferred Property Tax Receivable account

No Subsidiary Ledger Entry

56.) The original commitment for Real Estate Taxes must be adjusted by the deferred tax amount.

001-2620	Deferred Revenue – Real and Personal Property Taxes	3,000	
001-1220	Real Estate Taxes Receivable FYxx		3,000

To adjust Real Estate Taxes by the deferred tax amount

No Subsidiary Ledger Entry

Collection of Deferred Property Tax

57.) The deferral amount is paid as required by law.

001-1040	Cash – Unrestricted	3,000	
001-1253	Deferred Property Tax Receivable FYxx		3,000

58.) The Deferred Revenue – Deferred Property Tax Account must be adjusted and the Cash received taken into Revenue.

001-2620	Deferred Revenue – Deferred Property Tax	3,000	
001-3910	Revenue		3,000

To adjust Deferred Revenue – Deferred Property Tax

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	3,000	
001-4120	Real Estate Taxes		3,000

Tax Liens

The lien for unpaid real estate taxes is perfected after a demand notice of delinquency has been issued (G.L. c. 60, § 16), a notice of intent to take is advertised and posted (G.L. c. 60, §§17, 40, 53) and instrument of taking recorded (G.L. c. 60, §54). The lien is perfected by the Collector and collected by the Treasurer. Charges and fees relating to the lien process and interest charged from the date the taxes were due to the date of taking are added to the amount of the delinquent taxes. The entire amount is reclassified as tax liens receivable. Revenue from tax liens is recognized on a cash basis or when it is collected. Unperfected liens for delinquent real estate taxes expire three years and six months from the end of the fiscal year the taxes were assessed or a recorded change of ownership, whichever occurs later (G.L. c. 60, §37).

The following journal entries are for prior year delinquent taxes. Tax liens on current year's delinquent taxes are identical except that a separate subsidiary account should be used.

The entries to record the takings of subsequent year's delinquent taxes to lien are also identical, but should be posted separately.

Similar entries for liens will be made in other funds when the tax lien includes enterprise liens (water, sewer and electric light).

Transfer of Real Property Tax Receivable to Tax Lien (Tax Title)

59.) The Collector records delinquent real estate taxes and forwards a copy of the taking document to the Treasurer and Accountant. Tax liens are not recorded by levy year in the general ledger.

001-1240	Tax Liens Receivable	46,850	
001-2622	Deferred Revenue – Tax Liens		46,850

To record the tax liens on delinquent real estate taxes

60.) The Deferred Revenue – Real and Personal Property Tax and Real Estate Tax Receivable accounts are adjusted for the tax taking.

001-2610	Deferred Revenue – Real and Personal Property Taxes	44,600	
001-1220	Real Estate Taxes Receivable FYxx		44,600

To record the adjustment to Deferred Revenue

Payment of Tax Lien (Tax Title)

61.) Payments are collected on tax liens and reported on the Treasurer's Report of Cash Received (usually additional information is needed from the Treasurer supporting this transaction in order to properly record it).

001-1040	Cash – Unrestricted	5,350	
001-1240	Tax Liens Receivable		5,250
001-3910	Revenue		100

To record cash collected on tax liens

- 62.) The Deferred Revenue – Tax Lien account is adjusted to reflect the cash received on the Tax Lien only.

001-2622	Deferred Revenue – Tax Liens	5,250	
001-3910	Revenue		5,250

To record the revenue from collection on tax liens
Subsidiary Ledger

001-4000	Subsidiary Revenue Control	5,350	
001-4142	Tax Liens Redeemed		5,250
001-4170	Penalties and Interest on Taxes and Excises		100

Sale of Land of Low Value in Tax Lien in Excess of Tax Lien (Tax Title)

- 63.) The Treasurer or other custodian of tax liens may sell land of low value that has a recorded tax lien (G.L. c. 60, § 79). The cash received is reported through the Treasurer's Report of Cash Received (normally additional information is needed from the Treasurer supporting this transaction in order to properly record it).

The land is sold for \$8,500 (including \$200 penalties and interest), which is \$2,000 in excess of the tax lien.

001-1040	Cash – Unrestricted	6,500	
001-1240	Tax Liens Receivable		6,300
001-3910	Revenue		200

To record the sale of land of low value in excess of the receivable plus interest to date of sale

- 64.) The Deferred Revenue – Tax Liens and Revenue accounts are adjusted for the sale of land of low value.

001-2622	Deferred Revenue – Tax Liens	6,300	
001-3910	Revenue		6,300

To record the revenue from the sale of land of low value

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	6,500	
001-4142	Tax Liens Redeemed		6,300
001-4170	Penalties and Interest on Tax Liens		200

65.) Because the sale was in excess of the tax lien, interest and other charges due. G.L. 60, § 79 requires that this excess be retained for 5 years to be paid to the person entitled. After 5 years, if unclaimed, it enures to the General Fund.

001-1060	Cash – Restricted	2,000	
001-2530	Excess on Sale of Land of Low Value		2,000

To record excess on sale of land of low value

No Subsidiary Ledger Entry

(If the property was sold at an amount equal to the receivable balance plus interest charged to date of sale, the entry would not restrict Cash and the credit to Excess on Sale of Land of Low Value would be unnecessary).

Sale of Land of Low Value Below Tax Lien (Tax Title)

66.) The Treasurer or other custodian of tax liens may sell land of low value that has a recorded tax lien (G.L. c. 60, § 79). The cash received is reported through the Treasurer's Report of Cash Received (normally additional information is needed from the Treasurer supporting this transaction in order to properly record it).

The land is sold for \$4,500 which is \$2,000 less than the tax lien.

001-1040	Cash – Unrestricted	4,500	
001-1240	Tax Liens Receivable		4,500

To record the sale of land of low value for an amount less than the receivable

67.) The Deferred Revenue - Tax Liens and Revenue accounts are adjusted for the sale of land of low value

001-2622	Deferred Revenue – Tax Liens	4,500	
001-3910	Revenue		4,500

To record the revenue from sale of land of low value

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	4,500	
001-4142	Tax Liens Redeemed		4,500

68.) The sale amount was less than the Receivable, interest and other charges due by \$1,800. The tax lien account is reversed after the sale.

001-2622	Deferred Revenue - Tax Liens	1,800	
001-1240	Tax Liens Receivable		1,800

To reflect the sale of land of low value less than the tax lien

Reversal of Tax Lien Recorded in Error

69.) The lien was recorded in error. The receivable may have been liened twice or it may have been recorded under the wrong taxpayer's name. Since tax liens are formally recorded with the Registry of Deeds, a simple adjusting entry or collection cannot be made. A normal disclaimer document must be filed and the following entries recorded.

001-1220	Real Estate Tax Receivable FYxx	1,150	
001-2622	Deferred Revenue – Tax Liens	600	
001-1240	Tax Liens Receivable		1,750

To record tax lien disclaimer

70.) The Deferred Revenue accounts are adjusted for the lien recorded in error.

001-2622	Deferred Revenue – Tax Liens	1,150	
001-2610	Deferred Revenue – Real and Personal Property Taxes		1,150

To adjust accounts for disclaimed tax liens

Tax Foreclosures

Tax liens may be subject to a foreclosure if the tax liens are not paid in accordance with the period required by law (G.L. c. 60, §§ 62, 62A). Foreclosure proceedings are processed by the Treasurer or other tax lien custodian. Foreclosed properties should then be sold through advertised public auction as soon as practicable.

71.) The Treasurer or other foreclosure custodian forecloses on a tax lien receivable account.

001-1880	Tax Foreclosures	5,200	
001-2623	Deferred Revenue – Tax Foreclosures		5,200

To record the foreclosure of tax liens receivable

72.) The Deferred Revenue – Tax Liens and Tax Liens Receivable accounts are adjusted for the foreclosure.

001-2622	Deferred Revenue – Tax Liens	5,200	
001-1240	Tax Liens Receivable		5,200

To adjust accounts for foreclosure

73.) The Treasurer or other foreclosure custodian sells a foreclosure property for \$4,000 which had a carrying basis of \$5,200. The cash collected is reported through the Treasurer's Report of Cash Received. Normally, additional information supporting the transaction must be supplied to properly record the entries.

001-1040	Cash – Unrestricted	4,000	
001-3910	Revenue		4,000

To record the sale of tax foreclosure property

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	4,000	
001-4145	Tax Foreclosures		4,000

74.) The tax foreclosure account is reversed after the sale.

001-2623	Deferred Revenue – Tax Foreclosures	5,200	
001-1880	Tax Foreclosures		5,200

To record the sale of tax foreclosure property

75.) Often when a foreclosure property is sold, due to the timing of the sale, a real estate tax is due from the buyer. This is referred to as a “pro forma tax” (G.L. c. 44, § 63A). This tax does not require a commitment from the Assessors, but does require the Collector to indicate to the Accountant that an amount of tax is due. This entry illustrates the collection of pro forma tax upon the sale of foreclosure property.

001-1040	Cash – Unrestricted	1,000	
001-3910	Revenue		1,000

To record the pro forma tax collected on foreclosure sale

Subsidiary Ledger:

001-4000	Subsidiary Revenue Control	1,000	
001-4120	Real Estate Taxes		1,000

76.) The local government decides not to sell the foreclosed property, but rather to keep it for its own use. The taxes, penalties and interest on the land equals \$5,200 at the time of the local government’s decision.

001-2623	Deferred Revenue – Tax Foreclosures	5,200	
001-1880	Tax Foreclosures		5,200

To record the decision to keep foreclosed property

77.) In the GFAAG

001-1910	Land	5,200	
001-3015	Investment in General Fixed Assets		5,200

To record the acquisition of land on which taxes were foreclosed

Taxes in Litigation

Real estate tax receivables may be transferred to a taxes in litigation account because of bankruptcy or receivership cases, as provided by G.L. c. 60, § 95.

78.) Real Estate Taxes Receivable are transferred to Taxes in Litigation as provided for in the law.

001-1254	Taxes Receivable in Litigation FYxx	5,000	
001-2624	Deferred Revenue – Taxes in Litigation		5,000

To transfer outstanding real estate taxes to taxes in litigation

79.) The Real Estate Tax Receivable and Deferred Revenue accounts are adjusted for the transfer to Taxes in Litigation.

001-2610	Deferred Revenue – Real and Personal Property Taxes	5,000	
001-1220	Real Estate Taxes Receivable FYxx		5,000

To adjust Deferred Revenue for the transfer to Taxes in Litigation

80.) The Taxes in Litigation account is paid.

001-1040	Cash – Unrestricted	5,000	
001-3910	Revenue		5,000

To record payment of taxes in litigation

81.) The Deferred Revenue and Taxes in Litigation accounts are adjusted after payment.

001-2623	Deferred Revenue – Taxes in Litigation	5,000	
001-1254	Taxes Receivable in Litigation FYxx		5,000

To adjust Deferred Revenue

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	5,000	
001-4143	Litigated Taxes Collected		5,000

Departmental Receivables and Direct Receipts

Department Receivables – Amounts billed to taxpayers and other service recipients by various departments should be established as receivables of the General Fund and fully offset with a deferred revenue account. (Proprietary Fund receivables are separately classified). Separate accounts may be established to reflect the receivable attributable to each department, but it is generally simpler to record all the deferred revenue in one account.

The entries used to record the transactions in the departmental receivables are the same as those for excises, except that a separate group of subsidiary revenue accounts would be used to record the revenue from collections. The accounting for receivables in other funds is the same as in the General Fund.

Direct receipts – Direct receipts are generally not billed out and are thus recorded when received in cash.

82.) The Clerk's receipts are turned over to the Treasurer and reported through the Treasurer's Report of Cash Received.

001-1040	Cash – Unrestricted	1,800	
001-3910	Revenue		1,800

To record the clerk's receipts

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	1,800	
001-4420	Other Licenses		1,200
001-4320	Fees		500
001-4450	Permits		100

Off-duty work detail amounts are collected from outside sources and recorded in an Agency account (G.L. c. 44, § 53C). Such amounts are subsequently remitted to the governmental entity's employees through special payrolls and charged to the Agency account. Some entities, however, charge a service fee for processing these collections and payments and these must be recognized as receipts and revenue of the General Fund. These receipts should be reported through the Treasurer's Report of Cash Received.

83.) The governmental entity receives the service fees charged for the overhead costs related to processing of off-duty work details.

001-1040	Cash – Unrestricted	1,000	
001-3910	Revenue		1,000

To record receipt of administrative fees for off-duty work details

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	1,000	
001-4320	Fees		1,000

84.) The governmental entity receives funds from the Massachusetts School Building Authority as its prior grant and waitlist payment.

001-1040	Cash – Unrestricted	30,000	
001-3910	Revenue		30,000

To record payment by Massachusetts School Building Authority

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	30,000	
001-4680	Other State Revenue		30,000

Investment of Cash

Excess cash may be invested in a number of investment vehicles including securities, repurchase agreements, treasury bills and certificates of deposit (G.L. c. 44, § 55). All expenditures made for investments must be made through an approved Treasurer's warrant. The entries and general ledger accounts used should be descriptive of the type of investment made and any restriction on the funds invested. Maturities and the interest or other income earned must be reported on the Treasurer's Report of Cash Received. Investments as of June 30 are reported on a cash basis.

85.) The Treasurer purchases a certificate of deposit through an approved Treasurer's warrant.

001-1110	Short-Term Investments	100,000	
001-1040	Cash – Unrestricted		100,000

To record the purchase of certificate of deposit

86.) The certificate of deposit matures and is reported through the Treasurer's Report of Cash Received.

001-1040	Cash – Unrestricted	106,000	
001-1110	Short-Term Investments		100,000
001-3910	Revenue		6,000

To record the maturity of an investment in certificates of deposit

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	6,000	
001-4820	Earnings on Investments		6,000

Borrowing

Temporary borrowing – The Treasurer is authorized to borrow for better short term cash flow in anticipation of revenue. The proceeds from temporary borrowing should be reported through the Treasurer's Report of Cash Received and the payment reported through an approved Treasurer's warrant.

87.) The Treasurer issues a revenue anticipation note.

001-1040	Cash – Unrestricted	800,000	
001-2710	Revenue or Tax Anticipation Notes Payable		800,000

To record the issuance of revenue or tax anticipation notes

No Subsidiary Ledger Entry

88.) The Treasurer pays the principal and interest on a maturing note.

001-2710	Revenue or Tax Anticipation Notes Payable	800,000	
001-3930	Expenditures	21,000	
001-1040	Cash – Unrestricted		821,000

To record payment of revenue or tax anticipation note

Subsidiary Ledger

001-5925	Interest on Notes	21,000	
001-5000	Subsidiary Appropriation Control		21,000

Permanent Borrowing

89.) The governmental entity issues \$20,000,000 in bonds at a premium of \$500,000 for a project which has been debt excluded from the property tax levy limit. The bond proceeds are recorded in the Capital Projects Fund (debit Cash Unrestricted and credit Other Financing Sources) and in the General Long Term Obligations Account Group (as shown below). The Premium is reserved in the General Fund.

001-1040	Cash – Unrestricted	500,000	
001-3296	Fund Balance Reserved for Reduction of Future Excluded Debt		500,000

To reserve the premium on debt excluded debt

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	500,000	
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001-4930	Premium from Sale of Bonds		500,000
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90.) In the GLTOAG

050-1996	Amounts Provided for the Payment of Bonds	20,000,000	
050-2940	Bonds Payable – Outside the Debt Limit		20,000,000

Inter-Fund Borrowing (Internal Borrowing)

91.) The General Fund advances cash to the Capital Projects Fund.

001-3970	Other Financing Uses	50,000	
001-1040	Cash – Unrestricted		50,000

Subsidiary Ledger

001-5963	Transfers to Capital Projects Fund	50,000	
001-5000	Subsidiary Appropriations Control		50,000

If the governmental entity is not reimbursed for project expenditures near the end of the fiscal year, it may have to borrow the funds necessary to reimburse the General Fund and transfer the cash back by June 30. When the reimbursement is received by the Capital Projects Fund, it may pay-off any bond anticipation note and the interest is paid by the General Fund.

92.) If the funds are sufficient in the Capital Projects Fund and borrowing is unnecessary, the Capital Projects Fund reimburses the General Fund on or prior to June 30.

001-1040	Cash – Unrestricted	50,000	
001-3970	Other Financing Uses		50,000

Funds are returned to the General Fund by the Capital Projects Fund

Subsidiary Ledger

001-5000	Subsidiary Appropriations Control	50,000	
001-5963	Transfers to Capital Projects Fund		50,000

Deficit Borrowing

93.) Through special legislation, the governmental entity is allowed to borrow for General Fund ordinary operating costs. The entity receives proceeds from deficit notes to be repaid over a five year period.

001-1040	Cash – Unrestricted	50,000	
001-3920	Other Financing Sources		50,000

To record the proceeds from deficit notes

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	50,000	
001-4920	Proceeds from Issue of Temporary Loans		50,000

94.) In the GLTOAG

050-1998	Amounts to be Provided for the Payment of Temporary Loans	50,000	
050-2790	Other Notes Payable		50,000

Petty Cash

Petty cash may be needed by various departments or agencies. Cash needs usually develop when the department or agency performs services which are paid for at the time the service is rendered, such as the functions of the Clerk. At fiscal year's end, any balance within the Petty Cash Fund must be reserved within fund balance.

95.) A Petty Cash Fund is established.

001-1020	Petty Cash	300	
001-1040	Cash – Unrestricted		300

To record the establishment of a petty cash fund in a department

96.) A Petty Cash Fund is reimbursed.

001-3930	Expenditures	100	
001-1020	Petty Cash		100

To reimburse the Petty Cash Fund for expenditures

Subsidiary Ledger

001-5420	Office Supplies	100	
001-5000	Subsidiary Appropriation Control		100

97.) A remainder of the Petty Cash Fund is determined to be unnecessary and is closed out.

001-1040	Cash – Unrestricted	200	
001-1020	Petty Cash		200

To close out unnecessary Petty Cash Fund

Overlay

Excess Overlay

98.) The Allowance for Abatements and Exemptions account must be adjusted to record the release of funds by the Assessors.

001-1230	Allowance for Abatements and Exemptions FYxx	8,000	
001-3220	Fund Balance Reserved for Overlay Surplus		8,000

To adjust Allowance for Abatements and Exemptions

- 99.) The Deferred Revenue – Real and Personal Property Taxes account must be adjusted for the release of funds by the Assessors.

001-3590	Undesignated Fund Balance	8,000	
001-2610	Deferred Revenue – Real and Personal Property Taxes		8,000

To adjust Deferred Revenue – Real and Personal Property Taxes account for the release of funds by the Assessors

- 100.) Fund Balance Reserved for Overlay Surplus is voted by the governmental entity's legislative body during the fiscal year after release by the Assessors for next fiscal year's budget.

001-3220	Fund Balance Reserved for Overlay Surplus	3,000	
001-3240	Fund Balance Reserved for Expenditures		3,000

To record an appropriation of Overlay Surplus by the legislative body

- 101.) Any amount remaining in the Fund Balance Reserved for Overlay Surplus must be closed to Undesignated Fund Balance at year end consistent with G.L. c. 59, § 25.

001-3220	Fund Balance Reserved for Overlay Surplus	2,000	
001-3590	Undesignated Fund Balance		2,000

Tailings (Abandoned Funds)

- 102.) A check has been returned or not cashed by vendor or employee. The governmental entity reclassifies the check into abandoned property per advice of Treasurer.

001-1060	Cash – Restricted	25,000	
001-2520	Abandoned Property, Tailings and Unclaimed Items		25,000

103.) The governmental entity has accepted G.L. c. 200A, § 9A, unclaimed checks one year or older can be taken into the General Fund as Revenue. Otherwise, per chapter 200A, such abandoned property escheats to the Commonwealth.

001-2520	Abandoned Property, Tailings and Unclaimed Items	25,000	
001-3910	Revenue		25,000

To record the revenue from unclaimed checks

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	25,000	
001-4840	Miscellaneous		25,000

Year End Transactions

The following represents typical entries to adjust revenue and expenditure accounts prior to year end closing entries

Adjusting Entries, Current Year Revenues and Expenditures

104.) The budgeted General Fund subsidy to the Water Enterprise Fund is recorded.

001-3970	Other Financing Uses	75,670	
001-1040	Cash - Unrestricted		75,670

To record the General Fund subsidy to the Enterprise Fund

Subsidiary Ledger

001-5965	Transfers to Proprietary Funds	75,670	
001-5000	Subsidiary Appropriations Control		75,670

- 105.) The budgeted reimbursement from the Sewer Enterprise Fund to the General Fund for indirect costs is recorded based on the amount shown on Schedule A-2 submitted with the Tax Rate Recap. This entry may occur periodically during the fiscal year.

001-1040	Cash - Unrestricted	80,000	
001-3920	Other Financing Sources		80,000

To record the Sewer Enterprise Fund's reimbursement to the General Fund for indirect costs

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	80,000	
001-4970	Transfers from Proprietary Funds		80,000

- 106.) A surplus of offset receipts per G.L. c. 44, §53 is transferred to the General Fund.

001-1040	Cash – Unrestricted	10,000	
001-3920	Other Financing Sources		10,000

To recognize the transfer of offset receipts surplus to the General Fund

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	10,000	
001-4970	Transfers from Special Revenue Funds		10,000

- 107.) The Accountant determined that the snow and ice account was legally overspent. The overdraft must be reserved in fund balance and raised in the next fiscal year's tax rate if not otherwise provided for.

001-3592	Unreserved Fund Balance – Appropriation Deficits	175,000	
001-3590	Undesignated Fund Balance		175,000

No Subsidiary Ledger Entry

- 108.) The Massachusetts Department of Secondary and Elementary Education required the governmental entity to encumber the balance of its education budget to be spent in the following fiscal year per G.L. c. 70, §11.

001-3590	Undesignated Fund Balance	100,000	
001-3211	Fund Balance Reserved for Encumbrances		100,000

To reserve a portion of Undesignated Fund Balance per DESE requirement

No Subsidiary Ledger Entry

- 109.) Expenditures were placed on a warrant for payment, but as of June 30, the governmental entity's executive body has not approved payment. The warrant must be approved by July 15.

001-3930	Expenditures	80,000	
001-2010	Warrants Payable		80,000

To record Warrants Payable as of June 30

Subsidiary Ledger

001-5580	Other Supplies	80,000	
001-5000	Subsidiary Appropriation Control		80,000

- 110.) Teachers' summer pay, which was earned this fiscal year but will be paid to them throughout the summer vacation is accrued.

001-3930	Expenditures	1,200,000	
001-2221	Accrued Teachers' Summer Pay		1,200,000

To record payments to teachers over the summer months

Subsidiary Ledger

001-5110	Salaries and Wages, Permanent Positions	1,200,000	
001-5000	Subsidiary Appropriation Control		1,200,000

111.) The governmental entity understands that receipt of a certain State Cherry Sheet payment will be delayed until after June 30. The Director of Accounts indicated in the Bureau's annual end-of-year letter that this receipt may be accrued.

001-1720	Due from Commonwealth	25,000	
001-3910	Revenue		25,000

To accrue a late State aid payment as allowed by Director of Accounts

Subsidiary Ledger:

001-4000	Subsidiary Revenue Control	25,000	
001-4610	Reimbursement for Loss of Taxes		25,000

112.) The following is the entry when the Cherry Sheet aid is received.

001-1040	Cash – Unrestricted	25,000	
001-1720	Due from Commonwealth		25,000

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	25,000	
001-4660	Veterans Benefits		25,000

Prior Fiscal Year Reversals

113.) The entry to reserve free cash voted prior to June 30 of the prior fiscal year to reduce the following fiscal year's tax rate must be reversed.

001-3240	Fund Balance Reserved for Expenditures	100,000	
001-3590	Undesignated Fund Balance		100,000

To reverse entry reserving free cash to reduce following fiscal year's tax rate

- 114.) The prior fiscal year's closing trial balance and balance sheet indicated a fund balance reserved for overlay deficits. Unless otherwise provided for, this amount must be raised on the next fiscal year's Tax Rate Recap without appropriation as an "Other Amount to be Raised" unless otherwise provided for. When the amount has been so included and the tax rate has been certified by the Director of Accounts, the following entry is made.

001-3590	Undesignated Fund Balance	2,250	
001-3594	Unreserved Fund Balance – Overlay Deficit		2,250

- 115.) To reverse entry on last fiscal year's balance sheet for overlay deficit
The prior fiscal year's closing trial balance and balance sheet indicated a fund balance reserved for final court judgments. Unless otherwise provided for, this amount must be included on the next fiscal year's tax rate recap as an "other amount to be raised" without appropriation. When the amount is included on the recap and the recap is certified by the Bureau of Accounts, the following entry is made.

001-3590	Undesignated Fund Balance	9,650	
001-3595	Unreserved Fund Balance – Final Court Judgments		9,650

To reverse entry on last fiscal year's balance sheet for final court judgment

Current fiscal year fund balance reservations

- 116.) Court judgments were paid after the tax rate was certified by the Director of Accounts and must be raised in the following fiscal year's tax rate, if not otherwise provided for.

001-3595	Unreserved Fund Balance – Final Court Judgments	15,000	
001-3590	Undesignated Fund Balance		15,000

To reserve fund balance for current fiscal year final court judgment deficit

117.) Amounts required for abatements and exemptions in excess of amounts initially provided (“overlay deficits”) are reserved in fund balance. The amount is added to the Overlay.

001-3594	Unreserved Fund Balance – Overlay Deficits	20,000	
001-1230	Allowance for Abatements and Exemptions FYxx		20,000

To reserve fund balance for current fiscal year overlay deficit

118.) The Deferred Revenue – Real and Personal Property Taxes account must be adjusted for the addition to that fiscal year’s Overlay account.

001-2610	Deferred Revenue – Real and Personal Property Taxes	20,000	
001-3590	Undesignated Fund Balance		20,000

To adjust the Deferred Revenue – Real and Personal Property Taxes account for the addition to the Overlay account

119.) G.L. c. 44, § 31 overdrafts were approved by the Director of Accounts after the tax rate was certified. The deficit must be raised in the following fiscal year’s tax rate, unless otherwise provided for. This entry should indicate proper identification of the deficit.

001-3592	Unreserved Fund Balance – Appropriation Deficits	100,000	
001-3590	Undesignated Fund Balance		100,000

To reserve fund balance for current fiscal year overdraft per G.L. c. 44, § 31

120.) The Accountant determined that there was a current fiscal year revenue deficit (see this Manual, Appendix K).

001-3593	Unreserved Fund Balance – Revenue Deficit	50,000	
001-3590	Undesignated Fund Balance		50,000

To reserve fund balance for current fiscal year revenue deficit

121.) To reinstate the fund balance for the portion Reserved for Expenditures during the fiscal year which has been funded.

001-3240	Fund Balance Reserved for Expenditures	10,000	
001-3590	Undesignated Fund Balance		10,000

Closing Entries

In the Closing entries, budgetary accounts are reversed, Revenue, Other Financing Source and Other Financing Use accounts are closed to Undesignated Fund Balance;

122.) The budget entry for the fiscal year is reversed.

001-3830	APPROPRIATIONS	11,424,657	
001-3870	ESTIMATED OTHER FINANCING USES	617,593	
001-3815	ESTIMATED REVENUE		11,925,650
001-3820	ESTIMATED OTHER FINANCING SOURCES		19,500
001-3880	BUDGETARY FUND BALANCE		97,100

To close the budget accounts for the fiscal year

123.) The Revenue and Other Financing Sources must be closed to Undesignated Fund Balance.

001-3910	Revenue	11,875,650	
001-3920	Other Financing Sources	5,109,500	
001-3590	Undesignated Fund Balance		16,985,150

To close the revenues to fund balance

124.) The Expenditures and Other Financing Uses must be closed to Undesignated Fund Balance.

001-3590	Undesignated Fund Balance	12,352,250	
001-3930	Expenditures		11,734,657
001-3970	Other Financing Uses		617,593

To close Expenditures and Other Financing Uses to Undesignated Fund Balance

Closing Trial Balance

125.) The closing trial balance has been prepared after posting all journal entries for the fiscal year.

001-1020	Petty Cash	0	
001-1040	Cash – Unrestricted	1,777,150	
001-1060	Cash – Restricted	27,000	
001-1110	Short Term Investments	316,750	
001-1210	Personal Property Taxes Receivable FY20xx	125,000	
001-1220	Real Estate Taxes Receivable FY20xx	219,550	
001-1230	Allowance for Abatements and Exemptions FYxx		52,000
001-1240	Tax Liens Receivable	54,300	
001-1253	Deferred Property Tax Receivable FYxx	0	
001-1254	Taxes Receivable in Litigation FYxx	0	
001-1260	Motor Vehicle Excise Receivable	223,000	
001-1270	Boat Excise Receivable	1,500	
001-1720	Due from Commonwealth	0	
001-1880	Tax Foreclosures	0	
001-2010	Warrants Payable		80,000
001-2221	Accrued Teachers' Summer Pay		1,200,000
001-2310	Due To Special Revenue Funds		0
001-2520	Abandoned Property, Tailings and Unclaimed Items		0
001-2530	Excess on Sale of Land of Low Value		2,000
001-2610	Deferred Revenue – Real and Personal Property Taxes		292,550
001-2620	Deferred Revenue – Deferred Property Tax		0
001-2622	Deferred Revenue – Tax Liens		54,300
001-2624	Deferred Revenue – Taxes in Litigation		0
001-2630	Deferred Revenue – Motor Vehicle Excise		223,000
001-2641	Deferred Revenue – Boat Excise		1,500
001-2623	Deferred Revenue – Tax Foreclosures		0
001-3211	Fund Balance Reserved for Encumbrances		100,000
001-3240	Fund Balance Reserved for Expenditures		3,000
001-3296	Fund Balance Reserved for Reduction of Future Excluded Debt		500,000
001-3590	Undesignated Fund Balance		595,900
001-3592	Unreserved Fund Balance – Appropriation Deficit	275,000	
001-3593	Unreserved Fund Balance – Revenue Deficit	50,000	
001-3594	Unreserved Fund Balance – Overlay Deficit	20,000	
001-3595	Unreserved Fund Balance – Final Court Judgments	15,000	
		3,104,250	3,104,250

CHAPTER 10 – SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report proceeds of specific revenue sources that are legally restricted to expenditure for specified current operating purposes. Accounting and financial reporting is identical to the General Fund.

In Massachusetts, the resources that will be accounted for in Special Revenue Funds include the following:

- State and Federal grants, Entitlements and Shared Revenue not accounted for in other funds;
- School Lunch Fund;
- Highway Improvement Program;
- Receipts Reserved for Appropriation;
- Community Preservation Act;
- Law Enforcement Trust Fund;
- Wetlands Protection Fund;
- Offset Receipts Fund;
- Water Pollution Abatement Trust Fund (Title 5 Betterment Loan Program) (see journal entries in Appendix H -1 and H -2);
- Gifts and Donations

This chapter presents examples of special revenue funds under the UMAS system and journal entries to reflect the accounting requirements of these funds. A few examples are presented, but the accounting for all special revenue funds is the same.

A listing of special revenue funds normally used is found in Appendix I to this Manual.

Grants, Entitlements and Shared Revenue

In some Massachusetts governments, the revenues from state and federal grants constitute a significant percentage of their annual revenue. The number of grants that a government might receive in a given fiscal year can vary from a few, perhaps 15 to 20, to well over 100. The legal and contractual obligations as well as the accounting and reporting responsibilities which a grant may impose on a community can be burdensome.

For purposes of understanding the accounting system's approach to grant accounting, there is a need to define terms.

Grants – a contribution from another government to be used or expended for a specified purpose, activity or facility. Grants can be further classified as:

Capital – restricted by the grantor for the acquisition and/or construction of fixed assets.

Operating – for all other purposes.

Unrestricted – those which can be used for any legal purposes without restriction.

Restricted – those which can be used for specific purposes.

Entitlements – the amount of payment to which a government is entitled or determined by the federal government pursuant to an allocation formula contained in applicable statutes.

Shared Revenue – revenues levied by one government but shared on a predetermined basis, often in proportion to the amount collected at the local level by governments or other class of government.

Determination of Fund to be Used

Under GAAP, a grant should generally be accounted for in the fund from which it will be spent. This is best determined by analyzing the purpose and requirement of each grant. For purposes of accounting under the UMAS system, grants entitlements and shared revenue will be classified by fund in accordance with the following guidelines:

- Capital grants or shared revenues restricted for capital acquisitions or construction, other than those associated with enterprise funds, should be accounted for in the capital projects fund;
- Grants, entitlements or shared revenues received or utilized for enterprise fund operations and/or capital assets should be accounted for in that fund;
- Grants, entitlements and shared revenues that are unrestricted, or that, though restricted may be restricted more as to form than substance and that are in fact appropriated and expended in the General Fund, should be accounted for in that fund, with the exception of federal grants as explained above.
- All other intergovernmental distributions not described above will be accounted for in the Special Revenue Fund.

Under these guidelines, substantially all “cherry sheet” distributions will be accounted for in the General Fund. Set forth below is a list of “cherry sheet” distributions which will either be accounted for in another fund or which will have some impact on a fund other than the General Fund.

Description of Item

Fund Affected

Public Libraries (G.L. c. 78)	Special Revenue, Offset
School Lunch (c. 871, Acts 1970)	Special Revenue, Offset
School Choice Rec. Tuition (G.L. c. 76)	Special Revenue, Offset

Since most federal grants are not appropriated, all federal grants other than those specifically restricted to capital projects or enterprise funds, will be accounted for in the Special Revenue Fund. Amounts appropriated and expended in the General Fund should be transferred and the expenditures accounted for in that fund.

Accountants are reminded that G.L. c. 35, § 32A and c. 40, § 5D require that all federal grants received by local governments be charged for pension costs incurred because of the grant and remitted to the retirement plan of which the community is a member. This does not include members of the Massachusetts Teachers' Retirement System.

Special Revenue Fund Accounting

As with other governmental funds, the basis of accounting on which Special Revenue Funds will be reported will be the modified accrual basis. During the fiscal year, however, revenues will be recorded on a cash basis and expenditures will be recorded as disbursed. Year end adjusting entries (both revenues and expenditures) will be recorded to reflect the books on a modified accrual basis at that time.

Grants, entitlements or shared revenues recorded in governmental funds should be recognized as revenue in the accounting period when they become susceptible to accrual (i.e. both measurable and available). Measurable means that the amount is measurable at June 30. Available means that the amount is available to be used to meet current year, June 30, expenditures.

In applying this definition, legal and contractual requirements should be carefully reviewed for guidance. Some such resources, usually entitlements or shared revenues, are restricted more in form than in substance. Only a failure on the part of the recipient to comply with prescribed regulations will cause a forfeiture of the resources. Such resources should be recorded as revenue at the time of receipt or earlier of the "susceptible to accrual" criteria are met. For other such resources (usually grants), expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition will depend upon compliance with these requirements. As noted above, year end adjustments will be made to reflect grant revenues on a modified accrual basis.

School Lunch Fund – Revolving Fund

Funds for the operation and maintenance of school lunch programs are derived from three principal sources: meal charges (lunch receipts), state grants, and federal grants. On some occasions, general tax revenues may contribute to funding the school lunch operation.

In many governments, school lunch operations require sizable expenditures and since state and federal funds paid to governments for such operations are restricted in nature, it is reasonable to account for such operations in a separate Special Revenue Fund.

Subsidiary ledgers in this fund are optional. To facilitate their operation when used, sample subsidiary ledger entries are provided below where appropriate. Budgetary accounts are not required for this fund. Expenditures and other cash disbursements are handled in the same manner as in the General Fund. Appropriate controls (such as inclusion on the Treasurer's warrant) must be maintained.

Opening entries – The opening entries record the opening trial balance carried over from the prior fiscal year and restore the accounts to the basis of accounting on which they will be maintained during the new fiscal year.

1. The trial balance after final adjustment at the close of the prior fiscal year is brought forward and recorded as the current fiscal year's beginning trial balance.

220-1040	Cash – Unrestricted	4,265	
220-1720	Due from the Commonwealth of Mass	2,350	
220-2010	Warrants Payable		1,000
220-3560	Fund Balance – Revolving Funds		5,615
		<u>6,615</u>	<u>6,615</u>

To record the opening trial balance

2. In order to restore the accounting to the proper basis, the entry accruing prior year's Revenue must be reversed.

220-3910	Revenue	2,350	
220-1720	Due from the Commonwealth of Mass		2,350

To reverse prior year ending accrual

Subsidiary Ledger

220-4640	Education Offset Items – Reserve for Direct Expenditures	2,350	
220-4000	Subsidiary Revenue Control		2,350

3. Warrants Payable are paid on an approved warrant.

220-2010	Warrants Payable	1,000	
220-1040	Cash – Unrestricted		1,000

To record warrants payable

4. Payment is made on an approved warrant.

220-3930	Expenditures	2,682	
220-1040	Cash – Unrestricted		2,682

To record expenditures from warrant # _____

Subsidiary Ledger

220-5490	Food and Food Service Supplies	2,682	
220-5000	Subsidiary Appropriation Control		2,682

5. To establish a Petty Cash Fund.

220-1020	Petty Cash	100	
220-1040	Cash – Unrestricted		100

To record petty cash fund for school lunch

Revenue Recognition – Revenue for the School Lunch Fund comes from three sources: charges to the users (students) for the services provided, reimbursement from the state and federal distributions. These sources are recorded as revenue when the payments are received. Examples of federal distributions are not shown but would be recognized as revenue when received.

6. Lunch receipts are turned over to the Treasurer.

220-1040	Cash – Unrestricted	672	
220-3910	Revenue		672

To record deposit of lunch receipts

Subsidiary Ledger

220-4000	Subsidiary Revenue Control	672	
220-4370	Other Departmental Revenue		672

7. An amount from the state is received.

220-1040	Cash – Unrestricted	15,685	
220-3910	Revenue		15,685

To record payment in full of October invoice

Subsidiary Ledger

220-4000	Subsidiary Revenue Control	15,685	
220-4580	Other Federal Revenue – Through the State		15,685

Encumbrances – Use of an encumbrance system is recommended but not required. When one is used, the entries will be similar to those illustrated in the General Fund.

Adjusting Entries – At fiscal year's end, certain adjusting entries will be recorded to convert the accounting for revenue from the cash basis to a modified accrual basis. The following entries illustrate typical year end adjustments.

8. The governmental receivable at year end is considered fully collectible and is recorded as revenue.

220-1720	Due from the Commonwealth of Mass	3,000	
220-3910	Revenue		3,000

To record the receivable and to accrue the revenue (received within 60 days)

Subsidiary Ledger

220-4000	Subsidiary Revenue Control	3,000	
220-4580	Other Federal Revenue – Through the State		3,000

9. Record warrants payable at year end.

220-3930	Expenditures	800	
220-2010	Warrants Payable		800

To record warrants payable

Subsidiary Ledger

220-5490	Food Service and Food Service Supplies	800	
220-5000	Subsidiary Appropriation Control		800

Adjusting Entry

10. The petty cash amount must be reserved within fund balance.

220-3560	Fund Balance – Revolving Funds	100	
220-3250	Fund Balance Reserved for Petty Cash		100

Closing Entries – Only closing actual revenues and expenditures to fund balance is required.

11. Closing revenue to fund balance.

220-3910	Revenue	17,007	
220-3560	Fund Balance – Revolving Funds		13,525
220-3930	Expenditures		3,482

To close revenue and expenditures to fund balance

Closing Trial Balance

220-1020	Petty Cash	100	
220-1040	Cash – Unrestricted	16,840	
220-1720	Due from the Commonwealth of Mass	3,000	
220-2010	Warrants Payable		800
220-3250	Fund Balance Reserved for Petty Cash		100
220-3560	Fund Balance – Revolving Funds		19,040
		<u>19,940</u>	<u>19,940</u>

Highway Improvement Program – Grant Fund

Highway funds represent funds made available by the Commonwealth of Massachusetts for the repair of highways in a government. Since the funds are restricted for the purpose outlined in the agreement entered into with the state highway department, it is proper to account for such funds in a Special Revenue Fund. According to paragraph 3 of NCGA Statement 1, Special Revenue Funds would be used for “Other than Major Capital Projects.” The determination as to which are major capital projects is left to the individual accountant.

The use of subsidiary ledgers in this fund is optional. In the illustrative journal entries which follow, subsidiary ledger journal entries have been provided where appropriate.

Opening Entries – The opening entries record the opening trial balance carried over from the prior fiscal year and restore the accounts to the basis of accounting on which they will be maintained during the current fiscal year.

1. The trial balance after final adjustment at the close of the prior fiscal year is brought forward and recorded as the current fiscal year’s beginning trial balance.

239-1040	Cash – Unrestricted	15,000	
239-1720	Due from the Commonwealth of Mass	20,000	
239-2730	Grant Anticipation Notes Payable		20,000
239-3520	Fund Balance Designated for State Grants		15,000
		<u>35,000</u>	<u>35,000</u>

To record the opening trial balance

2. In order to restore the accounting to the proper basis, the “Deferred Revenue” reclassified at the close of the prior fiscal year, must be re-established.

239-3910	Revenue	20,000	
239-2670	Deferred Revenue – Intergovernmental		20,000

To re-establish the Deferred Revenue account

Subsidiary Ledger

239-4680	Other State Revenue	20,000	
239-4000	Subsidiary Revenue Control		20,000

Budget Entries – As with most other governmental funds, budgets are normally recorded at the beginning of the fiscal year or when the project and the grant have been approved.

3. Both the estimated cost of the project and the amount of the state grant are recorded for budget purposes.

239-3815	ESTIMATED REVENUE	30,000	
239-3830	APPROPRIATIONS		30,000

To record the budget for Main St. resurfacing

Subsidiary Ledger

239-5000	Subsidiary Appropriation Control	30,000	
239-5240	Repairs and Maintenance		30,000
239-4680	Other State Revenue	30,000	
239-4000	Subsidiary Revenue Control		30,000

Expenditures – Expenditures and other cash disbursements are recorded in the same manner as in the General Fund.

4. Expenditures applicable to “Highway Construction” or repairs are processed through an approved warrant.

239-3930	Expenditures	2,600	
239-1040	Cash – Unrestricted		2,600

To record the expenditures made on warrant # _____

Subsidiary Ledger

239-5240	Repairs and Maintenance	2,000	
239-5530	Public Works Supplies	600	
239-5000	Subsidiary Appropriation Control		2,600

Revenues – The only source of revenue normally associated with the Highway Fund is the reimbursement from the Commonwealth.

5. Requests for reimbursement are forwarded to MassDOT.

239-1720	Due from Commonwealth of Mass	27,600	
239-2670	Deferred Revenue – Intergovernmental		27,600

To record the expenditures made on highway projects not yet reimbursed by the Commonwealth

6. The Treasurer reports reimbursement on account of \$6,000 of highway grants (represents several grants and accumulated receivables).

239-1040	Cash – Unrestricted	6,000	
239-1720	Due from the Commonwealth of Mass		6,000

To record the receipt of highway reimbursements

7. The revenue from these receipts is recorded.

239-2670	Deferred Revenue – Intergovernmental	6,000	
239-3910	Revenue		6,000

To record the revenue from reimbursements from the Commonwealth

Subsidiary Ledger

239-4000	Subsidiary Revenue Control	6,000	
239-4680	Other State Revenue		6,000

Temporary Borrowing – Treasurers may borrow temporarily in anticipation of reimbursement from the Commonwealth for highway construction and repairs. The issuance of temporary loans should be reported through the Treasurer's Report of Cash Received and the payment through an approved Treasurer's warrant.

8. The Treasurer reports receipts of \$30,000 from the proceeds of a temporary loan issued under G.L. c. 44, § 6A for a period of one year in anticipation of reimbursement from the state.

239-1040	Cash – Unrestricted	30,000	
239-2730	Grant Anticipation Notes Payable		30,000

To record the issuance of a temporary loan in anticipation of reimbursement from a state grant

9. The temporary loan issued in a prior year matures and is paid. Grant regulations allow interest to be paid from the grant.

239-2730	Grant Anticipation Notes Payable	20,000	
239-3930	Expenditures	2,000	
239-1040	Cash – Unrestricted		22,000

To record the payment of temporary loans

Subsidiary Ledger

239-5925	Interest on Notes	2,000	
239-5000	Subsidiary Appropriation Control		2,000

Encumbrances – Use of an encumbrance system is recommended but it is not required. Where one is used, the entries will be similar to those illustrated in the General Fund.

Adjusting Entries – At fiscal year's end, certain adjusting entries will be recorded to convert the accounting for revenue from the cash basis to a modified accrual basis.

Closing Entries – Closing entries are prepared to close out the activity for the year. Memorandum accounts are generally not closed out at fiscal year's end, but rather when the project or grant is complete.

10. The budget entry is reversed to close out the accounts.

239-3830	APPROPRIATIONS	30,000	
239-3815	ESTIMATED REVENUE		30,000

To close the budget accounts

11. Revenues, Other Financing Sources, Expenditures and Other Financing Uses are closed to Fund Balance for State Grants.

239-3520	Fund Balance Designated for State Grants	18,600	
239-3910	Revenue		14,000
239-3930	Expenditures		4,600

To close the revenues and expenditures to fund balance

Closing Trial Balance

239-1040	Cash – Unrestricted	26,400	
239-1720	Due from Commonwealth of Mass	41,600	
239-2670	Deferred Revenue – Intergovernmental		41,600
239-2730	Grant Anticipation Notes Payable		30,000
239-3520	Fund Balance Designated for State Grants	3,600	
		<u>71,600</u>	<u>71,600</u>

Receipts Reserved for Appropriation

Receipts from a specific revenue source that by law are accounted for separately from the General Fund (segregated) and must be spent by appropriation.

Since, by definition, the “receipts reserved for appropriation” will be appropriated as part of a government’s annual budget, such amounts should be transferred as appropriated from the Special Revenue Fund to the General Fund and the expenditures accounted for in the General Fund. Set forth below are journal entries which illustrate the usual transactions involving receipts reserved for appropriation. Parking meter receipts have been selected to illustrate the functioning of this category of Special Revenue Funds. Subsidiary ledger entries are not required, but are suggested if the volume of activity is significant. They are not illustrated for this fund, but if utilized, treatment would be similar to other funds. Budget entries are illustrated below, but are optional.

Opening Entry

1. The opening trial balance represents cash receipts from previous years that have not yet been appropriated, or if appropriated, have not yet been transferred to the appropriate fund for expenditure.

232-1040	Cash – Unrestricted	20,000	
232-3240	Fund Balance Reserved for Expenditures		16,500
232-3300	Fund Balance – Receipts Reserved for Appropriation		3,500
		<u>20,000</u>	<u>20,000</u>

2. To reverse previous year appropriation from parking meter receipts.

232-3240	Fund Balance Reserved for Expenditures	16,500	
232-3300	Fund Balance – Receipts Reserved for Appropriation		16,500

To reverse entry appropriating parking meter receipts at the annual town meeting

Budget Entries – As with most other governmental funds, budgets are normally recorded at the beginning of the fiscal year.

3. When the certified list of appropriations is received from the Clerk, the budget should be recorded. The journal entry sets up the transfer from the Receipts Reserved for Appropriations Fund to the General Fund.

232-3880	BUDGETARY FUND BALANCE	16,500	
232-3870	ESTIMATED OTHER FINANCING USES		16,500

To record the annual budget for the current year

Revenue

4. When parking meter receipts are deposited, the revenue is recognized.

232-1040	Cash – Unrestricted	328	
232-3910	Revenue		328

To record parking meter receipts

Operating Transfers

5. The appropriated amount should be transferred to the relevant fund (in this case, the General Fund).

232-3970	Other Financing Uses	16,500	
232-1040	Cash – Unrestricted		16,500

To record transfer of appropriated parking meter receipts to the General Fund

Annual Town Meeting

After the annual town meeting, any available fund voted to be used must be shown as reserved.

6. Parking meter receipts are voted.

232-3300	Fund Balance – Receipts Reserved for Appropriation	18,500	
232-3240	Fund Balance – Reserved for Expenditures		18,500

To record appropriation from parking meter receipts at annual town meeting.
(This entry will be reversed after beginning of next fiscal year).

Closing Entries

7. The budgetary entry for the fiscal year is reversed.

232-3870	ESTIMATED OTHER FINANCING USES	16,500	
232-3880	BUDGETARY FUND BALANCE		16,500

To close the budgetary accounts for the fiscal year

8. At year end, the revenue and transfer accounts should be analyzed, closed out and the differences reclassified to fund balance.

232-3910	Revenue	20,128	
232-3970	Other Financing Uses		16,500
232-3300	Fund Balance – Receipts Reserved for Appropriation		3,628

To close the revenue and other financing uses

Closing Trial Balance

232-1040	Cash – Unrestricted	23,628	
232-3240	Fund Balance – Reserved for		
	Expenditures		18,500
232-3300	Fund Balance – Receipts Reserved for		
	Appropriation		5,128
		<u>23,628</u>	<u>23,628</u>

Community Preservation Act – Receipts Reserved

G.L. c. 44B provides for the establishment of a Community Preservation Fund. This fund has three purposes: the purchase of open space, the preservation of historic resources and the establishment of affordable housing. The primary source of revenue for these purposes is a property tax surcharge of up to three percent which is assessed on each parcel of taxable real estate. A second source of revenue is state matching funds provided by a surcharge on recording fees at the Registry of Deeds. The fund is also credited with the proceeds for the sale of fund assets. The fund is created by a vote of the legislative body of the municipality and approved by the voters at referendum. The fund applies solely to cities and towns. A community may borrow in anticipation of the surcharge collected for the purposes of the Act.

The Accountant must establish a separate Special Revenue Fund to account for community preservation revenues and expenditures. The Treasurer may pool the funds for purposes of investment. However, any interest earned on fund balances must be allocated back to the fund. Unlike most Special Revenue Funds in Massachusetts, the Community Preservation Fund is subject to recommendation by the Community Preservation Committee (established under the act) and appropriation by the legislative body of the municipality. Appropriations from any funding source (except borrowing) are by majority vote.

There is a requirement that the legislative body appropriate or reserve for future appropriation at least 10 percent of the estimated annual fund revenues in each of the allowable categories. Annual fund revenues include the estimated revenues from both the surcharge and the state trust with one exception. In the first year of the surcharge, estimated revenues only include the surcharge. If estimated revenues are less than actual revenues, the shortfall must be raised in the subsequent year. Abated or uncollectible surcharges are charged to the fund.

Sample accounting entries

The legislative body appropriates the following amounts from estimated revenues.

\$300,000	for open space acquisitions
\$ 60,000	for open space reserve
\$ 60,000	for historic resources reserve
\$ 60,000	for community housing reserve
\$ 20,000	for committee operating expenses

In addition, \$100,000 was appropriated from the Historic Resources Reserve Fund Balance for the acquisition of an historic site.

1a. Record estimated revenues budgeted.

246-3815	ESTIMATED REVENUE	500,000	
246-3890	BUDGETARY CONTROL		500,000

Subsidiary Ledger

246-4190	Other Taxes	500,000	
246-4000	Subsidiary Revenue Control		500,000

1b. Record amounts appropriated from estimated revenues.

246-3890	BUDGETARY CONTROL	500,000	
246-3830	APPROPRIATIONS		500,000

Subsidiary Ledger

246-5000	Subsidiary Appropriation Control	500,000	
246-5810	Land		300,000
246-5810	Land		60,000
246-5820	Buildings		60,000
246-5820	Buildings		60,000
246-5420	Office Supplies		20,000

1c. Record amounts appropriated from Historic Resources Reserve Fund Balance.

246-3880	BUDGETARY FUND BALANCE	100,000	
246-3830	APPROPRIATIONS		100,000

Subsidiary Ledger

246-5000	Subsidiary Appropriation Control	100,000	
246-5820	Buildings		100,000

1d. Actual entry to record amounts appropriated to fund balance reserves.

246-3320	Fund Balance Reserved for Community Preservation Act	180,000	
246-3241	Fund Balance Reserved for Open Space		60,000
246-3242	Fund Balance Reserved for Historic Resources		60,000
246-3243	Fund Balance Reserved for Community Housing		60,000

1e. Actual entry to record appropriation from Fund Balance Reserved for Historic Resources.

246-3320	Fund Balance Reserved for Community Preservation Act	100,000	
246-3242	Fund Balance Reserved for Historic Resources		100,000

2. The Assessors forward a notice of commitment for FY20xx to the Accountant showing a committed real estate tax of \$2,000 and Community Preservation surcharge of \$60.

General Fund

001-1220	Real Estate Taxes Receivable	2,000	
001-2610	Real and Personal Property Taxes		2,000

Community Preservation Act Fund

246-1250	Property Tax Receivables – Community Preservation Act	60	
246-2625	Deferred Revenue – Community		60

3. The taxpayer pays the full amount of the bill for \$2,060.

General Fund

001-1040	Cash – Unrestricted	2,000	
001-1220	Real Estates Taxes Receivable		2,000
001-2610	Deferred Revenue – Real and Personal		
	Property Taxes	2,000	
001-3910	Revenue		2,000

Community Preservation Act Fund

246-1040	Cash – Unrestricted	60	
246-1250	Property Tax Receivable – Community		
	Preservation Act		60
246-2625	Deferred Revenue – Community Preservation		
	Act	60	
246-3910	Revenue		60

4. The taxpayer has paid the entire bill of \$2,060 and applies for an abatement. The Assessors grant an abatement of \$500 in the real estate tax and \$15 in the Community Preservation surcharge.

Community Preservation Act Fund

246-3910	Revenue	15	
246-1040	Cash – Unrestricted		15

5. Closing Entries

246-3815	ESTIMATED REVENUE		500,000
246-3830	APPROPRIATIONS	600,000	
246-3880	BUDGETARY FUND BALANCE		100,000

6. Closing Trial Balance

246-1040	Cash – Unrestricted	60	
246-3241	Fund Balance – Reserved for Open Space		60,000
246-3242	Fund Balance – Receipts Reserved for Historic Resources		160,000
246-3243	Fund Balance Reserved for Community Housing		60,000
246-3320	Fund Balance Reserved for Community Preservation Act	279,940	
		<u>280,000</u>	<u>280,000</u>

Law Enforcement Trust, G.L. c. 94C, § 47 – Revolving Fund

The community receives \$50,000 in forfeited funds which represent 50% of the total forfeiture.

The Accountant establishes fund 247, Law Enforcement Trust Fund.” Despite its name, it is a Special Revenue Fund. Since there was no previous year’s activity, there is no opening balance or opening entries.

Budgetary Entries – There are no budgetary entries because the Law Enforcement Trust Fund may be spent without appropriation.

Revenue Recognition – Revenue is received after forfeiture of the assets to the courts and the community receives a 50% portion. Revenue is recognized on a modified accrual basis.

1. Upon receipt of the Treasurer’s notice of the funds, the Accountant records the receipt of funds.

247-1040	Cash – Unrestricted	50,000	
247-3910	Revenue		50,000

To record the receipt of forfeited funds in the Law Enforcement Trust Fund

Note: No subsidiary accounts are necessary.

Expenditures – Expenditures are handled in the same manner as the General Fund.

2. The Accountant pays a bill received from the police chief.

247-3930	Expenditures	5,000	
247-1040	Cash – Unrestricted		5,000

To record the payment of an invoice from the Law Enforcement Trust Fund

3. The Treasurer invests a portion of the Law Enforcement Trust Fund which is not needed to pay bills immediately.

247-1110	Short Term Investments	20,000	
247-1040	Cash – Unrestricted		20,000

To record the investment of funds

4. The investment matures and yields \$30 in interest.

247-1040	Cash – Unrestricted	20,030	
247-3910	Revenue		30
247-1110	Short Term Investments		20,000

5. Since the Law Enforcement Trust Fund does not retain interest, the interest is transferred to the General Fund.

247-3970	Other Financing Uses	30	
247-1040	Cash – Unrestricted		30

Adjusting entries – There are no adjusting entries necessary.

6. Closing Entry – Only one closing entry is required.

247-3910	Revenue	50,030	
247-3930	Expenditures		5,000
247-3970	Other Financing Uses		30
247-3560	Fund Balance – Revolving Funds		45,000

7. Closing Trial Balance

247-1040	Cash – Unrestricted	45,000	
247-3560	Fund Balance – Revolving Funds		45,000

Wetlands Protection Fees, Chapter 287, §54 of the Acts of 1989 – Revolving Fund

The Accountant establishes a Special Revenue Fund for purposes of accounting for the Wetlands Protection Fees. These fees may only be used for the costs associated with the review and approval of requests under G.L. c. 131, § 40.

The funds are accounted for in account #228, "Wetlands Protection Receipts." This account is a Special Revenue Fund. The amount in Fund Balance Reserved for Special Purposes (228-3280) represents the amount of fees paid which are in dispute and are therefore not available for appropriation.

1. Opening Trial Balance

228-1040	Cash – Unrestricted	50,000	
228-2010	Warrants Payable		10,000
228-3280	Fund Balance Reserved for Special Purposes		5,000
228-3560	Fund Balance – Revolving Funds		35,000

2. Budgetary Entries – None required.

3. Revenue Recognition – The conservation commission receives \$50 which represents the first \$25 of the filing fee and ½ of the remaining amount of the filing fee. The remaining \$25 is sent directly to the Department of Environmental Protection by the developer.

228-1040	Cash – Unrestricted	50	
228-3910	Revenue		50

To record the receipt of a filing fee

Subsidiary Ledger

228-4000	Subsidiary Revenue Control	50	
228-4370	Other Departmental Revenue		50

Expenditures – Expenditures are handled in the same manner as the General Fund.

4. The Accountant receives a bill for consulting services for review of soil removal. The bill is placed on a warrant.

228-3930	Expenditures	150	
228-2010	Warrants Payable		150

To record the placing of the consultant's bill on a warrant

Subsidiary Ledger

228-5300	Professional and Technical	150	
228-5000	Subsidiary Appropriation Control		150

5. The Accountant receives notice that the warrant containing the previous bill and the bills of the previous year have been paid.

228-2010	Warrants Payable	10,150	
228-1040	Cash – Unrestricted		10,150

No subsidiary entry is needed.

Adjusting entries – There are no adjusting entries.

Closing Entries

6. At year end, the revenue and expenditure accounts should be analyzed, closed out and the difference reclassified to fund balance.

228-3910	Revenue	50	
228-3560	Fund Balance – Revolving Fund	100	
228-3930	Expenditures		150

7. Closing Trial Balance

228-1040	Cash – Unrestricted	39,900	
228-3280	Fund Balance Reserved for Special Purposes		5,000
228-3560	Fund Balance – Revolving Funds		34,900
		<u>39,900</u>	<u>39,900</u>

Offset Receipts Funds

Under c. 44, § 53E, a local government may use departmental receipts for a particular purpose to fund the operation of the program for that purpose. These programs have become known as “offset receipt” funds because receipts collected during the fiscal year are used to defray the cost of the program. These funds are Special Revenue Funds and must be appropriated by the Town Meeting or City Council. The amount of the appropriation is limited to either the actual receipts of the prior fiscal year or, if requested, to a higher amount approved by the Director of Accounts. Any surplus remaining in the fund at the end of the fiscal year must be closed to the General Fund and any deficit must be raised on the next fiscal year’s tax rate.

The community establishes an offset receipts fund for a town beach. The expenses for the beach are funded through the sale of stickers to residents. The town received \$50,000 in revenue in the previous fiscal year and expects the same amount for the upcoming fiscal year. However, the town received \$55,000 in revenue.

Budgetary Entries

1. When the list of appropriations is received from the Clerk, the budget should be recorded.

261-3815	ESTIMATED REVENUE	50,000	
261-3830	APPROPRIATIONS		50,000

To record the appropriations to the town beach offset receipt fund

2. Revenue Recognition – Upon receipt of the Treasurer’s notice, the Accountant records the receipt of funds.

261-1040	Cash – Unrestricted	55,000	
261-3910	Revenue		55,000

To record the receipt of funds from the sale of beach stickers

Subsidiary Ledger

261-4000	Subsidiary Revenue Control	55,000	
261-4240	Other Non-Utility Usage Charges		55,000

3. Expenditures are handled in the same manner as in the General Fund.

261-3930	Expenditures	45,000	
261-1040	Cash – Unrestricted		45,000

To record the expenditure for lifeguard stipends

Subsidiary Ledger

261-5350	Recreational Expenditures	45,000	
261-5000	Subsidiary Appropriation Control		45,000

Adjusting Entries – There are no adjusting entries.

Closing Entry – Two closing entries are required and since the fund does not retain the surplus, the surplus is transferred to the General Fund.

4. The budgetary entries are closed.

261-3830	APPROPRIATIONS	50,000	
261-3815	ESTIMATED REVENUE		50,000

To close the budget entries for the beach offset receipt fund

5. The actual entries are closed and the surplus is transferred to the General Fund.

261-3910	Revenue	55,000	
261-3930	Expenditures		45,000
261-1040	Cash – Unrestricted		10,000

To close revenue and expenditures

6. The surplus is transferred to the General Fund

261-3970	Other Financing Sources	10,000	
261-1040	Cash – Unrestricted		10,000

To transfer surplus to the General Fund

Title 5 Betterment Loan Program – Other Special Revenue Fund

A 1997 program allows the MWPAT to grant \$20,000 to individual communities to administer a loan program to residents to upgrade their septic systems. There is a one time grant of \$20,000 (\$2,000 of which is withheld by the trust pending completion of the program) and up to \$500,000 in interest-free loans per community to be re-loaned to residents for repairs to septic systems. To account for this program, two Special Revenue Funds need to be established. One is to initiate and administer the program and the other is to account for the loans to residents. Special Revenue Fund #276 is to initiate and administer the program and fund #277 is to account for the loans.

Entries for special revenue fund #276, Title 5 Administration and GLTOAG

1. The community receives administrative funds from the grant.

276-1040	Cash – Unrestricted	18,000	
276-3910	Revenue		18,000

To record the receipt of grant funds

2. The community expends administrative funds from the grant.

276-3930	Expenditures	18,000	
276-1040	Cash – Unrestricted		18,000

To record expenditures made in compliance with the grant

3. The community records the amount of the grant withheld by MWPAT.

276-1720	Due from Commonwealth of Mass	2,000	
276-2670	Deferred Revenue – Intergovernmental		2,000

To record balance of grant payable when loan is approved

4. The Accountant records the bonds authorized.

050-3760	BONDS AUTHORIZED (MEMORANDUM)	200,000	
050-3770	BONDS AUTHORIZED – OFFSET (MEMO)		200,000

To record City Council/Town Meeting vote authoring borrowing

5. The community receives a \$50,000 loan from MWPAT.

276-1040	Cash – Unrestricted	50,000	
276-2720	Bond Anticipation Notes Payable		50,000

To record loan proceeds received from MWPAT

6. The community pays for the repairs to the septic system.

276-3930	Expenditures	40,000	
276-1040	Cash – Unrestricted		40,000

To record expenditure for engineering, contractors and inspectors

7. The community executes a note to the Trust.

276-2720	Bond Anticipation Notes Payable	200,000	
276-3920	Other Financing Sources		200,000

To convert BANs to long term debt upon notification by MWPAT – (Entry #5 plus additional advances of \$150,000)

8. The Accountant records the bonds in the GLTOAG.

050-1996	Amounts to be Provided for Payment of Bonds	200,000	
050-2995	Bonds Payable – Outside Debt Limit – MWPAT		200,000

To record in General Long Term Obligation Account Group

Entries for special revenue fund #277, Title 5 Loans

The Accountant establishes a Special Revenue Fund #277, Title 5 Loans.

9. The community grants a loan to a resident.

277-1440	Apportioned Assessments – Not Yet Due	50,000	
277-2660	Deferred Revenue – Special Assessments		50,000

To record commitment of apportioned Title 5 betterments by Assessors

10. The first payment of the loan becomes due.

277-1420	Apportioned Assessments Added to Taxes	10,000	
277-1430	Committed Interest Added to Taxes	500	
277-1440	Apportioned Assessments Not Yet Due		10,000
277-2660	Deferred Revenue – Special Assessment		500

To record commitment of apportioned betterments added to taxes together with committed interest

11. The resident pays the loan payments.

277-1040	Cash – Unrestricted	10,500	
277-1420	Apportioned Assessments Added to Taxes		10,000
277-1430	Committed Interest Added to Taxes		500

To record collection of Title 5 betterments

12. The community recognizes the revenue from the loan payment.

277-2660	Deferred Revenue – Special Assessments	10,500	
277-3910	Revenue		10,500

To recognize revenue collected

13. The community repays the MWPAT.

277-3930	Expenditure	8,000	
277-1040	Cash – Unrestricted		8,000

To record repayment of loan to MWPAT

14. The Accountant records the bond payment in the GLTOAG.

050-2995	Bonds Payable – Outside Debt Limit – MWPAT	8,000	
050-1996	Amounts to be Provided for Payment of Bonds		8,000

To record the current maturities of bond principal

15. The bonds have been borrowed.

277-3770	BONDS AUTHORIZED – OFFSET (MEMO)	200,000	
277-3760	BONDS AUTHORIZED (MEMORANDUM)		200,000

To record the issuance of Title 5 loans

Gifts and Donations

Gifts and donations may be accepted by the community pursuant to the provisions of G.L. c. 44, § 53A. These amounts may be expended without appropriation. However, they must be spent in accordance with the provisions of the gift or donation.

1. A resident donates \$10,000 to the community for the purpose of establishing a park. The accountant establishes fund #251, Grants and Gifts, then records the proceeds.

251-1040	Cash – Unrestricted	10,000	
251-3910	Revenue		10,000

To record the gift of a citizen

2. The government hires a contractor to build the park. The contractor submits a bill for services.

251-3930	Expenditures	9,000	
251-2010	Warrants Payable		9,000

To record the submission of the bill of the contractor and placement on the warrant

3. The warrant is approved and sent to the Treasurer for disbursement.

251-2010	Warrants Payable	9,000	
251-1040	Cash – Unrestricted		9,000

To record the disbursement of funds to the contractor

4. The contractor presents the final bill for the completion of the park and the bill is placed on a warrant.

251-3930	Expenditures	1,000	
251-2010	Warrants Payable		1,000

To record the bill placed on the warrant #_____

5. The warrant is approved and sent to the Treasurer for disbursement.

251-2010	Warrants Payable	1,000	
251-1040	Cash – Unrestricted		1,000

To record the disbursement of funds to the contractor

CHAPTER 11 – CAPITAL PROJECTS FUND

Capital Projects funds are used to account for and to report financial resources for capital projects, including the acquisition, construction or reconstruction of capital facilities and other major capital assets. Capital Projects Funds exclude those types of capital related outflows for assets that will be held in trust for individuals, private organizations or other governments.

A clear distinction should be made between capital projects (the construction of major facilities such as a new town or city hall) and capital outlay expenditures (relatively short-lived assets).

Capital projects may be distinguished by at least one, and usually all, of the following characteristics, while capital outlay expenditures normally have none of them:

- Financing provided in whole or in part by the issuance of long-term obligations;
- Expenditures made during more than one fiscal year;
- Expenditures are “project-oriented,” (thus, not a regular part of the ongoing operations of the local unit of government).

The acquisition of major capital assets appropriated within a Governmental Fund as well as the acquisition, construction or reconstruction of capital facilities for Governmental Fund projects are accounted for in a Capital Projects Fund.

Generally, a separate fund is required for each project. This is particularly important when projects are funded in full or in part by long-term obligations or intergovernmental revenues in order to demonstrate that proceeds have been used for the intended purposes. However, when a group of related projects is financed in whole or in part by a single long-term obligation, a single fund may be used to account for all related projects.

Budget

As with other governmental funds, the budget for capital projects will be integrated into the accounting records. In Massachusetts where the project authorization is generally for the entire project rather than on the portion of the project to be completed in the particular fiscal year, a memorandum entry should be made to record the total authorized project costs. Memorandum accounts may be found in the 3700 account series in Chapter 3, Assets. When the project is completed the project entries should be reversed.

Capital Project Accounting

As with the other governmental funds, the basis of accounting on which capital projects funds will be reported is the modified accrual basis. Year end adjusting entries will be recorded.

Many capital projects are partially financed by state or federal grants. In order to maintain control over these items, the grant award should be recorded in a memorandum entry when official (formal notification of the grant is received from the granting agency). If Municipal Finance Oversight Board approval is also required, this should be obtained before recording the grant. The receivable will be recorded when terms of the grant have been satisfied and application for funds, if required, has been submitted.

The accounting for temporary loans in anticipation of either grant reimbursement or long-term debt proceeds requires special comment. Since expenditures in capital projects are generally made prior to the time that grant revenues or bond proceeds are received, it could be expected that the projects' operations would result in a deficit fund balance, technically called an "artificial deficit". If this situation should occur, such a deficit and the reasons for it should be shown as a footnote to the financial statements. If there is no borrowing for the project, the deficit will be deducted from "free cash."

At the completion of the project, unused bond proceeds may be reallocated pursuant to G.L. c. 44, § 20. In brief, this allows the unused funds to be appropriated for any purpose for which the municipality could normally borrow for an equal or longer period of time. If the amount is less than \$1,000, it may be used to reduce the principal of the capital project borrowing.

A permanent record should be retained setting forth the details of each capital project completed. This record should include a description of the project, authorization date, completion date, authorized cost, and full details relating to the financing of the project and its actual cost.

Debt and Long Term Obligation Related Transactions

Debt related transactions pertaining to Governmental Fund types (General Fund, Special Revenue Fund, Capital Projects Fund) are recorded in the General Fund including bond issuance costs, interest on short term borrowings (BANs and GANs), accrued interest, bond premiums or discounts and payments on principal and interest on maturing debt.

Long term liabilities for bonds payable for Governmental Fund types are recorded in the General Long Term Obligations Account Group.

Fixed Asset Related Transactions

Costs incurred related to the acquisition of a Governmental Fund fixed asset (e.g. vehicles, trucks, computers etc.) are recorded upon expenditure in the General Fixed Assets Account Group as a fixed asset.

Costs incurred related to the acquisition, construction or reconstruction of Governmental Fund capital facilities are recorded upon expenditure in the General Fixed Assets Account Group as a construction in progress or as a fixed asset.

Illustrative Journal Entries

The journal entries in the remainder of this chapter illustrate Capital Projects Fund accounting for a project involving the construction of a new fire station, which is to be completed over two fiscal years. Other facts related to the project include the following:

- Total project cost approved by the appropriate authority is \$10,000,000;
- Financing to be provided from:
 - temporary borrowing;
 - \$5,000,000 from bonds, expected to be issued at end of the first year;
 - 50% from federal grant reimbursements
- Plans call for awarding the total project to a single contractor to simplify management responsibilities;
- The contract awarded will include a 10% holdback pending satisfactory completion of the project (use account #2520, Contracts Payable – Retained Percentage).

Accounting for the activities of the Capital Projects Fund is depicted through a series of journal entries in the following pages. They are presented in the following sequence:

First Year's Transactions

Memorandum Entries
Budget and Memorandum Entries
Project Revenues
Temporary Borrowing
Project Expenditures
Encumbrances
Grants
Serial Bond Issues
Closing Entries
Closing Trial Balance

Second Year's Transactions

Opening Entries
Budget Entries
Project Expenditures
Project Revenues
Temporary Borrowing
Closing Entries
Closing Trial Balance

First Year of the Project

Memorandum Entries

The following four memorandum accounts are used in this fund and will be explained later in the chapter:

301-3730	PROJECT AUTHORIZED
301-3740	PROJECT AUTHORIZED – OFFSET (or not completed)
301-3710	STATE AND FEDERAL GRANTS AWARDED
301-3720	STATE AND FEDERAL GRANTS AWARDED – OFFSET (or not awarded)

In addition, two other memorandum accounts exist: BONDS AUTHORIZED AND BONDS AUTHORIZED – OFFSET. These accounts appear in the General Long-Term Obligations Account Group and are used to control Town Meeting or City Council bond authorizations. See the Long-Term Obligations Account Group chapter for further details.

Although memorandum entries are not required under the system, they are recommended to provide greater control over the project, grants and bond authorizations. Memorandum accounts are similar to the budgetary control accounts (3800 series of UMAS accounts) and should be in CAPITAL letters. At the completion of the project, the memorandum entries should be reversed or otherwise closed out.

Budgetary and Memorandum Entries

1. The focus of the budgetary entries in the Capital Projects Fund is on the fiscal period. However, where projects are expected to take more than one year to complete, it will simplify the monitoring process to record the total authorized project. This memorandum entry is not necessary if the project is to be completed and is appropriated in the current fiscal period.

301-3730	PROJECT AUTHORIZED (MEMO)	10,000,000	
301-3740	PROJECT AUTHORIZED – OFFSET (MEMORANDUM)		10,000,000

To record the total estimated cost of the project

Project Revenues

The financing of the project will be provided initially through short-term borrowing. Grant reimbursement requests will be submitted to the grantor as expenditures are incurred. Such amounts will be recorded as revenue when collected to record the total estimated cost of the project.

2. At the beginning of the fiscal year, the budget for the capital project should be recorded. The budget for this project has been prepared based on the estimated \$10 million cost, half from bonds and half from grants.

301-3815	ESTIMATED REVENUE	5,000,000	
301-3820	ESTIMATED OTHER FINANCING SOURCES	5,000,000	
301-3830	APPROPRIATIONS		10,000,000

To record the budget for the year

Subsidiary ledger entries are not illustrated in this chapter as they are maintained in the same manner as the General Fund.

When the bonds to be issued in connection with the project are authorized, an entry should be recorded in the General Long-Term Obligation Account Group.

- 3a. The grant is awarded and a memorandum entry is made in the Capital Projects Fund.

301-3710	STATE AND FEDERAL GRANTS AWARDED (MEMORANDUM)	5,000,000	
301-3720	STATE AND FEDERAL GRANTS AWARDED – OFFSET (MEMO)		5,000,000

To record the award of grants for the project

- 3b. The grant is awarded and a memorandum entry for the project authorization is reversed for the amount of the grant.

301-3740	PROJECT AUTHORIZED – OFFSET (MEMORANDUM)	5,000,000	
301-3730	PROJECT AUTHORIZED (MEMORANDUM)		5,000,000

To reverse the project authorization

Temporary Borrowing

Short-term notes may be sold to finance the initial capital project expenditures pending bond issuance or grant reimbursement. To the extent that such borrowing is not immediately needed, the available cash should be invested.

4. Short-term borrowing is completed in anticipation of reimbursement from the federal government and issuance of bonds.

301-1040	Cash – Unrestricted	5,000,000	
301-2720	Bond Anticipation Notes Payable		2,500,000
301-2730	Grant Anticipation Notes Payable		2,500,000

To record short-term borrowing to finance capital projects

Project Expenditures

The local government typically retains some funds until the project is officially accepted. Thus, a Contracts Payable – Retained Percentage account is used to record the amount retained.

5. All expenditures should be made on an approved warrant. Expenditure entries remain the same whether or not an encumbrance system is used.

301-3930	Expenditures	500,000	
301-1040	Cash – Unrestricted		450,000
301-2050	Contracts Payable – Retained Percentage		50,000

To record the expenditures per warrant # _____

6. The authorization is reduced by the amount of the expenditure.

301-3740	PROJECTS AUTHORIZED – OFFSET (MEMO)	500,000	
301-3730	PROJECTS AUTHORIZED – (MEMO)		500,000

To reverse the authorization for the amount of the expenditure

Encumbrances

7. When a signed contract is entered into, the full amount of the contract is encumbered even though it may exceed the amount budgeted for the current year. Purchase orders received prior to the work being performed or the goods received should be credited to account #3211, Fund Balance Reserved for Encumbrances.

301-3940	Encumbrances	9,800,000	
301-3213	Fund Balance Reserved for Construction		9,800,000

To record the encumbrances for capital projects contracts

8. The encumbrances must be liquidated when invoices are received from the contractor for a portion of the work completed.

301-3213	Fund Balance Reserved for Construction	500,000	
301-3940	Encumbrances		500,000

To liquidate encumbrances for portion of contract completed

Grants

To minimize the interest expenditures associated with short term borrowing for reimbursable type grants, such grants should be applied for as soon after incurring the expenditure as the grant terms allow.

9. The granting agency is billed for its share (50%) of the expenditures per the grant agreement. At this point, \$500,000 has been expended.

301-1710	Due from the Federal Government	250,000	
301-2670	Deferred Revenue – Intergovernmental		250,000

To record the application to granting agency for reimbursement

10. The memorandum accounts are adjusted for the amount of the grant billed.

301-3720	STATE AND FEDERAL GRANTS AWARDED – OFFSET (MEMORANDUM)	250,000	
301-3710	STATE AND FEDERAL GRANTS AWARDED – (MEMORANDUM)		250,000

To adjust for grant billed

11. Cash is collected from the granting agency.

301-1040	Cash – Unrestricted	250,000	
301-1710	Due from Federal Government		250,000

To record collections on grant

12. The revenue from the grant receipts is recorded.

301-2670	Deferred Revenue – Intergovernmental	250,000	
301-3910	Revenue		250,000

To record the revenue from grant receipts

Serial Bond Issues

When serial bonds are issued, the liability is recorded in the General Long Term Obligations Account Group. At the same time, an entry would be made in the General Long Term Obligation Account Group to reverse the bonds authorized entry. The

proceeds from the bond issues are recorded in the Capital Projects Fund as an Other Financing Source.

13. The bond proceeds are recorded in the Capital Projects Fund. Any related bond issuance costs, premiums, discounts, accrued interest and other similar transactions are recorded in the General Fund.

301-1040	Cash – Unrestricted	5,000,000	
301-3920	Other Financing Sources		5,000,000

To record the proceeds from the issuance of bonds

14. The temporary loans in anticipation of bond issue are repaid and recorded in the Capital Projects Fund. Related interest expenditures are recorded in the General Fund.

301-2720	Bond Anticipation Notes Payable	2,500,000	
301-1040	Cash – Unrestricted		2,500,000

To record the repayment of temporary loans per warrant # _____

Closing Entries

The year-end closing entries will follow the same pattern established in other governmental funds.

15. The budget entry for the fiscal year is reversed.

301-3830	APPROPRIATIONS	10,000,000	
301-3815	ESTIMATED REVENUE		5,000,000
301-3820	ESTIMATED OTHER FINANCING SOURCES		5,000,000

To close the budget accounts

16. The Revenue, Other Financing Sources and the Expenditures accounts are closed to fund balance. At the end of the fiscal year, all nominal accounts (3900's) are closed to fund balance.

301-3920	Other Financing Sources	5,000,000	
301-3910	Revenue	250,000	
301-3590	Undesignated Fund Balance	4,550,000	
301-3930	Expenditures		500,000
301-3940	Encumbrances		9,300,000

To close the Revenue, Other Financing Sources and Encumbrances and Expenditure accounts to Undesignated Fund Balance

Closing Trial Balance

301-1040	Cash – Unrestricted	7,300,000	
301-3710	STATE AND FEDERAL GRANTS AWARDED – (MEMORANDUM)	4,750,000	
301-3720	STATE AND FEDERAL GRANTS AWARDED – OFFSET (MEMO)		4,750,000
301-3730	PROJECT AUTHORIZED (MEMO)	4,500,000	
301-3740	PROJECT AUTHORIZED – OFFSET (MEMORANDUM)		4,500,000
301-2050	Contracts Payable – Retained Percentage		50,000
301-2730	Grant Anticipation Notes Payable		2,500,000
301-3213	Fund Balance Reserved for Construction		9,300,000
301-3590	Undesignated Fund Balance		4,550,000
		<u>21,100,000</u>	<u>21,100,000</u>

\$500,000 has been expended by the end of the first year of the project. This will be recorded in the General Fixed Assets Account Group at year end as a Construction in Progress transaction. Refer to the General Fixed Assets Account Group for this entry.

Second Year of the Project

Many of the second year transactions are virtually identical to those of the first year, except for the dollar amounts involved. The major differences in the second year relate to the opening entry, the maturity of investments, the payments of retainage due and the close out of the project.

Opening Entries

The prior year's closing trial balance is journalized and entered into the general ledger to become the beginning balances. (See the Closing Trial Balance for the previous year).

17. The reservation of fund balance from the prior year must be reinstated in the accounts for the current year.

301-3213	Fund Balance Reserved for Construction	9,300,000	
301-3590	Undesignated Fund Balance		9,300,000

To reinstate the prior year's reservation

Budget Entries

18. The current year's budget is recorded. The appropriation consists of \$10,000,000 less \$500,000 expended in the first year. The estimated revenue is 50% of the \$10,000,000 project less \$500,000 spent in the first year.

301-3815	ESTIMATED REVENUE	4,750,000	
301-3820	ESTIMATED OTHER FINANCING SOURCES	4,750,000	
301-3830	APPROPRIATIONS		9,500,000

To record the current year's budget

Project Expenditures

19. Expenditures on the project are made with a 10% withholding.

301-3930	Expenditures	9,200,000	
301-1040	Cash – Unrestricted		8,280,000
301-2050	Contracts Payable – Retained Percentage		920,000

To record the expenditures per warrant #_____

20. When the project is completed, upon initial inspection, the specifications have been met and the retainage is paid.

301-2050	Contracts Payable – Retained Percentage	970,000	
301-1040	Cash – Unrestricted		970,000

To record the payment of retainage on contract

Project Revenues

21. Request for reimbursement of expenditures is made to the granting agency for 50% of the \$9,200,000 expenditures.

301-1710	Due from Federal Government	4,600,000	
301-2670	Deferred Revenue – Intergovernmental		4,600,000

To record the application to granting agency for reimbursement

22. The memorandum accounts are adjusted for the amount of the grant billed.

301-3720	STATE AND FEDERAL GRANT AWARDED – OFFSET (MEMORANDUM)	4,600,000	
301-3710	STATE AND FEDERAL GRANT AWARDED – (MEMORANDUM)		4,600,000

To adjust for grant billed

23. Cash is collected on receivables from the granting agency (note that the amount received is net of 50% of \$1,000 of expenditures which did not qualify for grant reimbursements).

301-1040	Cash – Unrestricted	4,599,500	
301-1710	Due from Federal Government		4,599,500

To record collections on grant

24. A notice is received from the granting agency of disallowed expenditures. 50% are disallowed.

301-2670	Deferred Revenue – Intergovernmental	500	
301-1710	Due from Federal Government		500

To record disallowance of reimbursement

25. The revenue from grant receipts is recorded.

301-2670	Deferred Revenue – Intergovernmental	4,599,500	
301-3910	Revenue		4,599,500

To record the revenue from grant receipts

Temporary Borrowing

26. The temporary loans are repaid and are recorded in the Capital Projects Fund. Related BAN interest expenditures are recorded in the General Fund.

301-2730	Grant Anticipation Notes Payable	2,500,000	
301-1040	Cash – Unrestricted		2,500,000

To record the repayment of temporary loans

Closing Entries

27. To reverse the budget entry for the fiscal year.

301-3830	APPROPRIATIONS	9,500,000	
301-3815	ESTIMATED REVENUE		4,750,000
301-3820	ESTIMATED OTHER FINANCING SOURCES		4,750,000

To close the budget accounts

28. The Revenues and Other Financing Sources and the Expenditures and Other Financing Uses are closed out to fund balance.

301-3910	Revenue	4,599,500	
301-3590	Undesignated Fund Balance	4,600,500	
301-3930	Expenditures		9,200,000

To close the Revenue and Expenditures accounts to Undesignated Fund Balance

29. The balance of the grant that will not be realized is closed out.

301-3720	STATE AND FEDERAL GRANTS AWARDED - OFFSET (MEMORANDUM)	150,000	
301-3740	PROJECTS AUTHORIZED – OFFSET (MEMORANDUM)	4,500,000	
301-3710	STATE AND FEDERAL GRANTS AWARDED – (MEMORANDUM)		150,000
301-3730	PROJECTS AUTHORIZED – (MEMORANDUM)		4,500,000

To close out the grant

30. Closing Trial Balance

301-1040	Cash – Unrestricted	149,500	
301-3590	Undesignated Fund Balance		149,500

The balance in cash and fund balance represents serial bond proceeds that were not expended on the project. This residual equity balance must be appropriated in accordance with G.L. c. 44, § 20.

CHAPTER 12 – PROPRIETARY FUND

Proprietary Fund Types

Both Enterprise Funds and Internal Service Funds are Proprietary Fund types. They use the economic resources measurement focus and the accrual basis of reporting, including the reporting of their own assets and long term obligations (for GAAP financial reporting purposes). The reporting is similar to private sector. Internal Service Funds may follow such guidance but are not required to. Different functions or services should not be combined in one Enterprise Fund. For example, water and sewer service should be established as separate Enterprise Funds and not as a single fund.

A distinction should be made between the legal adoption of an Enterprise Fund in accordance with G.L. c. 44, § 53F½ and the GAAP requirement for an Enterprise Fund. When a city or town adopts an Enterprise Fund under G.L. c. 44, § 53F½, (other governmental entities cannot adopt Enterprise Funds under this section), the fund may or may not meet the GAAP requirements for such a fund. Conversely, communities may report an enterprise on their audited financial statements even though they have not adopted c. 44, § 53F½. Local officials should be familiar with the presentation on their audited financial statements and be prepared to answer questions from external parties.

The acquisition of major capital assets appropriated in the Proprietary Fund as well as the acquisition, construction or reconstruction of capital facilities for Proprietary Fund projects are accounted for in the Capital Projects Fund for UMAS accounting purposes.

Debt and Long Term Liability Related Transactions

Debt related expenses pertaining to Proprietary Funds (e.g. debt service, bond issuance or short term interest) may be appropriated and recorded in the Proprietary Fund, or may be appropriated in the General Fund and allocated to the associated Proprietary Fund(s) as indirect costs. Debt related revenues (e.g. accrued interest, bond premiums) are recorded in the associated Proprietary Fund.

Long term liabilities for bonds payable for Proprietary Funds are recorded in the General Long Term Obligations Account Group (for UMAS accounting purposes) and will be reported (for GAAP financial reporting purposes) in the respective Proprietary Fund(s).

A clear distinction should be made within the account groups to identify Proprietary long term obligations from Governmental fund long term obligations.

Fixed Asset Related Transactions

Costs incurred related to the acquisition of a Proprietary Fund fixed asset (i.e. vehicles, trucks, computers, etc) may be appropriated and expended within the Enterprise Fund or appropriated and expended in the General Fund but allocated to the associated Proprietary Fund(s) as indirect costs. The expended amount shall be recorded upon expenditure in the General Fixed Assets Account Group as a construction in progress or as a fixed asset (for UMAS accounting purposes) and is reported in the appropriate Proprietary Fund (for GAAP financial reporting purposes).

Costs incurred related to the acquisition, construction or reconstruction of a Proprietary Fund capital facilities or other major capital asset is accounted for within the Capital Projects Fund and will be recorded upon expenditure in the General Fixed Assets Account Group as a construction in progress or as a fixed asset.

A clear distinction should be made within the account groups to identify Proprietary Fund fixed assets from Governmental Fund type fixed assets.

Capitalization of Interest

One issue concerning full cost recovery is the capitalization of interest. GASB Statement 37 (amending 34) prohibits capitalization of construction period interest for capital assets used in governmental activities. Conflicting with this is FASB statement 34 “Capitalization of Interest,” which requires interest to be capitalized on construction if there is debt outstanding in the fund, even if the debt has nothing to do with the specific project.

G.L. c. 44 does not allow the issuance of debt for the payment of interest. Therefore, interest costs on projects may be raised in user charges or in betterments. For more information on the capitalization of interest the reader should consult FASB’s 34 and 62 “Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants.”

Electric Light Departments

Electric light departments are subject to the regulations issued by state and federal energy management agencies. Electric utilities are established under G.L. c. 164. However, they are required to follow GASB pronouncements and are departments of the municipality. In addition, electric light departments may voluntarily follow the guidance of FASB 71, “Accounting for the Effects of Certain Types of Regulation.” To qualify, rates must be regulated by an independent agency, the rates are designed to recover certain specific costs and it is reasonable to assume that the regulated activity can set and collect charges sufficient to recover its costs. The Accountant should

maintain control accounts and review invoices as with any other department to ensure compliance with municipal law.

Enterprise Fund Manual

The Division of Local Services has published an Enterprise Fund Manual, which gives specific guidance on the establishment, budgeting and accounting for enterprise funds and is available on its website.

Illustrative Journal Entries for an Enterprise Fund

Accounting for the activities of the Enterprise Fund is depicted through a series of journal entries in the following pages. In most instances, the journal entries have been arranged in the order in which they would occur during the fiscal year. The entries have been grouped under the following general categories:

- Opening Entries
- Memoranda Entries
- Budgetary Entries
- Expenses and Other Cash Disbursements
- Revenue
- Grants
- Construction and Financing of Capital Projects
- Fixed Assets
- Other Transactions
- Adjusting Entries
- Closing Entries
- Closing Trial Balance

The journal entries illustrate the entire accounting cycle for one fiscal year, beginning with the opening trial balance, and ending with a closing trial balance.

The example chosen for an enterprise fund reflects the operations of a water department, but the same basic entries and accounting theory are applicable to other Enterprise Funds

At the beginning of the year, the enterprise has under construction a water treatment plant for which the total authorized project cost is \$5,000,000. The project will be funded by a federal grant, which will pay for 75% of the cost. The balance will be funded through the issue of 20-year serial bonds. As of July 1, the beginning of the year, there had been \$850,000 of costs incurred on the project. Grant reimbursement requests, submitted to the federal government under the terms of the grant, amounted to \$637,500, of which amount there was still \$140,000 receivable from the government at the beginning of the year.

There have been included, in the opening trial balances, memorandum accounts for Projects Authorized, Grants Awarded and Bonds Authorized. These accounts are recommended for control purposes but are not included in the audited financial statements.

Basis of Accounting

Proprietary Funds are reported for GAAP financial reporting purposes on the accrual basis. The UMAS basis of accounting for Proprietary Funds should be on the modified accrual basis. Financial reporting adjustments should be made to report on the accrual basis.

Opening Entries - The opening entries record the opening trial balance carried over from the prior year and restores the accounts to the basis of accounting on which they will be maintained during the year.

Opening Entries

1. The trial balance after final adjustment at the close of the prior year-end is brought forward and recorded as the current year's beginning trial balance, including memoranda accounts.

650-1040	Cash – Unrestricted	286,515	
650-1310	User Charges Receivable	59,231	
650-1330	Utility Liens Added to Taxes	8,077	
650-1710	Due from Federal Government	140,000	
650-1950	Construction in Progress	850,000	
650-3710	STATE AND FEDERAL GRANTS AWARDED – (MEMORANDUM)	3,252,500	
650-3720	STATE AND FEDERAL GRANTS AWARDED – OFFSET (MEMORANDUM)		3,252,500
650-3730	PROJECT AUTHORIZED (MEMORANDUM)	4,150,000	
650-3740	PROJECT AUTHORIZED – OFFSET (MEMORANDUM)		4,150,000
650-3760	BONDS AUTHORIZED (MEMORANDUM)	1,250,000	
650-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)		1,250,000
650-2010	Warrants Payable	54,408	
650-2720	Bond Anticipation Notes Payable	450,000	
650-3001	Net Assets Invested In Capital Assets, Net of Related Debt	637,500	
650-3015	Net Assets Unrestricted	201,915	
		<u>9,996,323</u>	<u>9,996,323</u>

To record the opening balances per the trial balance at the close of the prior year

Memoranda Entries

The beginning trial balance included the balance in memoranda accounts established in the prior year to facilitate the control over authorized project costs and approved state and federal grants. The two entries that follow adjust these memoranda accounts for the current year's activities and would be made at the end of the fiscal year:

1a. The anticipated expenses for the year on the project are recorded.

650-3740	PROJECTS AUTHORIZED – OFFSET	4,150,000	
650-3730	PROJECTS AUTHORIZED		4,150,000

To record anticipated expenses for the year on the project

1b. The amounts billed on grants during the year on the project are recorded.

650-3720	STATE AND FEDERAL GRANTS AWARDED –OFFSET	3,252,500	
650-3710	STATE AND FEDERAL GRANTS AWARDED		3,252,500

To record the amounts billed on the grants during the year

Budgetary Entries

The following entries record the annual operating budget of the Water Enterprise Fund. Sources will be needed in order to pay for the costs of operations for the coming fiscal year. Such sources are expected from the General Fund.

2. The appropriations for the fiscal year are recorded.

650-3890	BUDGETARY CONTROL	845,343	
650-3830	APPROPRIATIONS		845,343

To record the budgeted costs for the fiscal year

Subsidiary Ledger

650-5000	Subsidiary Appropriation Control	845,343	
650-5110	Salaries and Wages, Permanent Positions		531,000
650-5170	Fringe Benefits on Behalf of Employees		29,000
650-5210	Energy		42,000
650-5230	Non-Energy Utilities		3,500
650-5240	Repairs and Maintenance		7,500
650-5340	Communication		7,250
650-5410	Energy Supplies		4,500
650-5430	Building and Equipment Repairs and Maintenance Supplies		22,500
650-5420	Office Supplies		7,500
650-5480	Vehicular Supplies		98,000
650-5530	Public Works Supplies		35,000
650-5710	In-State Travel		2,750
650-5740	Insurance Premiums		4,500
650-5870	Replacement Equipment		25,000
650-5925	Interest on Notes		25,343

3. The total amount of estimated revenue for the fiscal year is recorded.

650-3815	ESTIMATED REVENUE	727,750	
650-3890	BUDGETARY CONTROL		727,750

To record the estimated or budgeted revenues for the fiscal year

Subsidiary Ledger

650-4142	Tax Liens Redeemed	3,500	
650-4170	Penalties and Interest on Taxes and Excises	1,500	
650-4210	Utility Usage Charges	672,750	
650-4240	Other Non-Utility Usage Charges	50,000	
650-4000	Subsidiary Revenue Control		727,750

4. Revenues appropriated from other funds for use in the Enterprise Fund are recorded.

650-3820	ESTIMATED OTHER FINANCING SOURCES	117,593	
650-3890	BUDGETARY CONTROL		117,593

To record operating transfers-in

Subsidiary Ledger

650-4970	Inter-fund Operating Transfers In	117,593	
650-4000	Subsidiary Revenue Control		117,593

5. The budgetary entries for the capital project being constructed in the Enterprise Fund may be recorded with the annual operating budget or separately. The following entries record the estimated revenues and expenses of the project.

650-3815	ESTIMATED REVENUE	3,112,500	
650-3820	ESTIMATED OTHER FINANCING SOURCES	1,037,500	
650-3830	APPROPRIATIONS		4,150,000

Subsidiary Ledger

650-4540	Other Federal Revenue – Direct	3,112,500	
650-4910	Proceeds from Sale of Bonds	1,037,500	
650-4000	Subsidiary Revenue Control		4,150,000
650-5000	Subsidiary Appropriation Control	4,150,000	
650-5820	Buildings		3,000,000
650-5850	Additional Equipment		1,150,000

Expenses and Other Cash Disbursements

There are no examples for payroll or vendor disbursements. These activities are treated the same way as in the General Fund.

Appropriation transfers – During the fiscal year a situation may develop where it becomes necessary to authorize the transfer of appropriations between departments, use of a part of the municipality's appropriation reserve account, or the use of other available funds. Although some of these transfers may have no net effect on the general

ledger, they all should be reflected in the general ledger accounts to provide accounting control and an audit trail.

6. The City Council votes to transfer funds from one appropriation account to another.

650-3830	APPROPRIATIONS	2,000	
650-3830	APPROPRIATIONS		2,000

To record approved transfers between appropriations accounts Council order #_____

Subsidiary Ledger

650-5430	Building and Equipment Repairs and Maintenance Supplies	2,000	
650-5240	Repairs and Maintenance		2,000

- 7a. The City Council votes to appropriate available funds from other Enterprise Funds to fund an appropriation for interest expenses after the tax rate has been set and approved.

650-3890	BUDGETARY CONTROL	30,000	
650-3830	APPROPRIATIONS		30,000

To record City Council appropriation for interest expenses and transfer from an other Enterprise Fund – Council order #_____

Subsidiary Ledger

650-5000	Subsidiary Appropriation Control	30,000	
650-5925	Interest on Notes		30,000

- 7b. The estimated source of funding for the appropriation is recorded.

650-3820	ESTIMATED OTHER FINANCING SOURCES	30,000	
650-3890	BUDGETARY CONTROL		30,000

To record the estimated financing source

Subsidiary Ledger

650-4970	Inter-fund Operating Transfers In	30,000	
650-4000	Subsidiary Revenue Control		30,000

Inter-fund transactions – Transactions between funds include those where one fund renders a service for another (quasi-external transaction) and those where one fund reimburses another fund for expenses initially made by it, which were properly applicable to another fund (reimbursable transaction).

8. The water department's office supplies are purchased by the central purchasing department. Periodically, the water department is issued supplies and is required to pay for them.

650-3930	Expenses	250	
650-1040	Cash – Unrestricted		250

To record the issue of office supplies from central purchasing and the related payment

Subsidiary Ledger

650-5420	Office Supplies	250	
650-5000	Subsidiary Appropriation Control		250

9. The recreation department fills two of its vehicles with gasoline at the water enterprise's gasoline pumps. This is a reimbursable type of transaction and would be accounted for in the Enterprise Fund as a reduction of expense.

650-1040	Cash – Unrestricted	50	
650-3930	Expenses		50

To record the sale of gasoline to an activity accounted for in the General Fund

Subsidiary Ledger

650-5000	Subsidiary Appropriation Control	50	
650-5480	Vehicular Supplies		50

Revenue

Revenue – The majority of the revenue in the Water Enterprise Fund and most other Enterprise Funds is from usage charges. If the enterprise is involved in a major capital project, there may be substantial revenue from federal and/or state grants as well. Revenue will be recorded during the fiscal year on a cash basis. Year end adjustments will be made to convert the accounting for revenue to an accrual basis. The accounting for grants is discussed in a separate subheading.

Usage charges – The principal revenue in an Enterprise Fund is the charges for services. Normally, Enterprise Funds should be self-supporting. In order to achieve this objective, the rates being charged should be reviewed periodically to determine their adequacy.

10. The water bills are sent out for the fall, and a commitment warrant, agreeing to the total, is forwarded to the Accountant.

650-1310	User Charges Receivable	600,000	
650-2651	Deferred Revenue – User Charges		600,000

To record the commitment of water user charges for the fall

11. The total of water bills abated or written off is forwarded to the Accountant from the enterprise.

650-2651	Deferred Revenue – User Charges	1,000	
650-1310	User Charges Receivable		1,000

To record the abatements on water user charges for December

12. Payments are collected on current water bills, summarized, and reported on the Treasurer's Report of Cash Received.

650-1040	Cash – Unrestricted	465,000	
650-1310	User Charges Receivable		465,000

To record cash collected on water user charges

13. The revenue account is adjusted to reflect the cash received on the accounts receivable.

650-2651	Deferred Revenue – User Charges	465,000	
650-3910	Revenue		465,000

To record the revenue from the collections on water user charges

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	465,000	
650-4210	Utility Usage Charges		465,000

14. A refund of a credit balance on a taxpayer's account is reported on an approved Treasurer's warrant. The credit balance may have resulted from either an overpayment or an abatement after payment was made.

650-1310	User Charges Receivable	20	
650-1040	Cash – Unrestricted		20

To record refund of overpayments collected on water user charges

15. The revenue account is adjusted to reflect the payment of refunds on customer accounts receivable.

650-3910	Revenue	20	
650-2651	Deferred Revenue – User Charges		20

To record the refund of credit balance accounts

Subsidiary Ledger

650-4210	Utility Usage Charges	20	
650-4000	Subsidiary Revenue Control		20

Water liens – Unpaid water rates may be reclassified to water liens in accordance with G.L. c. 40, § 42B and may be included with other taxes on the real estate tax bills. The water liens are committed by the Assessors. Revenue from water liens is recognized when collected. Even though water liens are billed on real estate bills and collected by the Collector, they are revenue to the Enterprise Fund.

- 16a. The commitment from the Assessors of water liens added to taxes is forwarded to the Accountant.

650-1330	Utility Liens Added to Taxes	8,000	
650-1310	User Charges Receivable		8,000

To record the water liens added to taxes

- 16b. The related Deferred Revenue accounts must be adjusted.

650-2651	Deferred Revenue – User Charges	8,000	
650-2653	Deferred Revenue – Utility Liens		8,000

To adjust the Deferred Revenue accounts for user charges taken into liens

17. Cash is collected on water liens and reported through the Treasurer's Report of Cash Received.

650-1040	Cash – Unrestricted	1,000	
650-1330	Utility Liens Added to Taxes		1,000

To record the collections on water liens

18. The Assessors send the monthly summary of abatements to the Accountant, which includes water liens abated.

650-2653	Deferred Revenue – Utility Liens	1,977	
650-1330	Utility Liens Added to Taxes		1,977

To record the abatement of water enterprise liens for June

Tax liens – Unpaid water liens (G.L. c. 40, §§ 42A – F) can be perfected after a demand notice of delinquency has been issued (G.L. c. 60, §16), a notice of intent to take advertised and posted (G.L. c. 60, §§17, 40, 53) and instrument of taking recorded (G.L. c. 60, §54). The lien is perfected by the Collector and collected by the Treasurer.

- 19A. The Collector records the tax lien on properties for delinquent water enterprise liens.

650-1240	Tax Liens Receivable	1,500	
650-1330	Utility Liens Added to Taxes		1,500

To record the taking of water liens to tax liens

- 19b. The related Deferred Revenue accounts must be adjusted.

650-2653	Deferred Revenue – Utility Liens	1,500	
650-2622	Deferred Revenue – Tax Liens		1,500

To adjust the Deferred Revenue accounts to reflect the transfer to Tax Liens

20. Payments are received on tax liens and reported on the Treasurer's Report of Cash Received.

650-1040	Cash – Unrestricted	450	
650-1240	Tax Liens Receivable		450

To record collections of water liens in tax liens

21. The Revenue and the Deferred Revenue – Tax Liens accounts are adjusted to reflect the cash received on tax liens receivable.

650-2622	Deferred Revenue – Tax Liens	450	
650-3910	Revenue		450

To record the revenue from collection of water liens in tax liens

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	450	
650-4142	Tax Liens Redeemed		450

22. Occasionally a water lien is transferred to tax liens and subsequently is found to be in error and must be abated.

650-2622	Deferred Revenue – Tax Liens	50	
650-1240	Tax Liens Receivable		50

To record the abatement of a water lien in tax lien

(An identical entry would be made for tax liens which are disclaimed, except the explanation would indicate “disclaimed” instead of “abated.”)

If the Treasurer, or other custodian of tax liens, sells land of low value that is in tax lien as set forth in G.L. c. 60, § 79, then a priority for recognizing revenue is established. First, the proceeds are applied to delinquent real estate taxes in tax lien, then to other taxes in tax lien, then to enterprise liens in tax liens (apportioned by their relative magnitude), then to interest and charges, and, finally, if any proceeds remain, to a liability in the General Fund called “Excess on Sale of Land of Low Value.”

Tax foreclosures – Tax liens may be subject to a foreclosure if they are not paid. Foreclosure proceedings are processed by the Treasurer or other tax lien custodian. In the Enterprise Funds, the accounting for foreclosure transactions is limited to the foreclosure itself. Once the property has been foreclosed on, it becomes an asset of the General Fund so that subsequent sales, or other transactions of that particular property, are reflected in the General Fund. The accounting for foreclosures is illustrated in the two following entries.

23. The tax lien custodian forecloses on a tax lien property that had a water lien within the tax lien.

650-3970	Other Financing Uses	100	
650-1240	Tax Liens Receivable		100

To record the foreclosure on a tax lien

Subsidiary Ledger

650-5961	Transfer to the General Fund	100	
650-5000	Subsidiary Appropriation Control		100

24. The Revenue and the Deferred Revenue – Tax Liens are adjusted to reflect the cash received on tax lien accounts receivable.

650-2622	Deferred Revenue – Tax Liens	100	
650-3910	Revenue		100

To record the revenue from foreclosure of tax liens

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	100	
650-4145	Tax Foreclosures		100

Other Revenue – Other revenue includes cash receipts from sources that are not normally billed and do not, therefore, become formal receivables of the enterprise until the end of the fiscal year. Examples of these are the non-utility usage charges, such as rental of spare office or garage space, sale of pipe layouts to contractors, or sale of scrap metal.

25. The water department sells some scrap pipe to a junk dealer and the proceeds are reported through the Treasurer's Report of Cash Received.

650-1040	Cash – Unrestricted	75	
650-3910	Revenue		75

To record the receipt of cash for the sale of scrap pipe.

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	75	
650-4840	Miscellaneous		75

Grants

Intergovernmental grants – A description of the various types of grants and the accounting for grants under this system is discussed in the Special Revenue Funds chapter. However, since Proprietary Funds are reported on a full accrual basis, an adjustment must be made at year end to accrue intergovernmental revenue earned but not received.

26. The municipality incurs expenses related to the construction of the water treatment plant. Such expenses qualify for a 75% reimbursement from the federal government under the terms of the federal grant.

650-3930	Expenditures	300,000	
650-2050	Contracts Payable, Retained Percentage		30,000
650-1040	Cash – Unrestricted		270,000

To record expenditure on the capital project

Subsidiary Ledger

650-5820	Buildings	300,000	
650-5000	Subsidiary Appropriation Control		300,000

27. A general government requisition is prepared requesting draw-down of federal grant funds related to the construction project. Amount requested represents 75% of qualifying expenses.

650-1710	Due from Federal Government	225,000	
650-2670	Deferred Revenue – Intergovernmental		225,000

To record the requisition of federal grant funds to reimburse capital projects expenditure

28. Collections on the receivable from the federal government are made and are reported through the Treasurer's Report of Cash Received.

650-1040	Cash – Unrestricted	225,000	
650-1710	Due from Federal Government		225,000

To record the collections on receivables from the federal government

29. The revenue and the reserve for uncollected accounts are adjusted to reflect the cash received on the government receivable.

650-2670	Deferred Revenue – Intergovernmental	225,000	
650-3910	Revenue		225,000

To record the revenue from reimbursements by the federal government

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	225,000	
650-4540	Other Federal Revenue – Direct		225,000

Construction and Financing of Capital Projects

Construction of the water treatment plant, which was started in the prior fiscal year, was completed during the current year. The expenses made during the year for the project will be classified to expense account 5890, "Construction in Progress." At year end, adjustments will be made to reclassify such amounts to the fixed asset accounts. The

events illustrated in the following journal entries include temporary borrowing taken to finance the project, the payment of construction invoices, the sale of bonds authorized in connection with the project funding and the repayment of the temporary loans. A 10% retainage will be applied to construction invoices.

30. Construction invoices for several months are paid, less retainage authorized to be withheld.

650-3930	Expenses	375,000	
650-2050	Contract Payable, Retained Percentage		37,500
650-1040	Cash – Unrestricted		337,500

To record payment of construction invoices on warrant #_____

Subsidiary Ledger

650-5850	Additional Equipment	375,000	
650-5000	Subsidiary Appropriation Control		375,000

31. The bonds authorized for funding a portion of the project are sold at par.

650-1040	Cash – Unrestricted	1,250,000	
650-2948	Bonds Payable, Outside Debt Limit		1,250,000

To record the cash proceeds received from the sale of bonds

- 32a. At the same time that the entry is made to record the sale of the bonds, an entry would be made to reverse related amounts previously recorded in the bond authorization memorandum accounts.

650-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)	1,250,000	
650-3760	BONDS AUTHORIZED – (MEMORANDUM)		1,250,000

To reverse, from the bond authorization memoranda accounts, the amount of bonds issued in connection with the water treatment plant

32b. The local government expends the remainder of the funds for the project.

650-3930	Expenditures	3,475,000	
650-1040	Cash – Unrestricted		3,475,000

To record the completion of the water treatment plant.

Subsidiary Ledger

650-5820	Buildings	3,000,000	
650-5850	Additional Equipment	475,000	
650-5000	Subsidiary Appropriation Control		3,475,000

Fixed Assets

Fixed assets used by a municipality in enterprise activities should be accounted for in accordance with the principles described previously in this chapter. Amounts included in the operating budget for capital outlay, other than for capital projects discussed above, will when expended be charged to account 5890. When the assets acquired are significant, the cost of such assets will be reclassified to the fixed asset accounts at the end of the fiscal year.

33. Two new pick-up trucks are purchased to replace two old vehicles.

650-3930	Expenditures	25,000	
650-1040	Cash – Unrestricted		25,000

To record the expenditure for vehicles on warrant #_____

Subsidiary Ledger

650-5870	Replacement Equipment	25,000	
650-5000	Subsidiary Appropriation Control		25,000

34. Through research of prior year records, it is determined that the buildings in which the water department conducts its activities were constructed by the municipality for a cost of \$250,000 fifteen years ago. Such amounts should be capitalized as a fixed asset recorded at its net depreciated value and written off over the remaining useful life of the building, which is estimated to be 10 years.

650-1920	Buildings	250,000	
650-1929	Accumulated Depreciation – Buildings		150,000
650-3001	Net Assets Invested in Capital		
	Assets – Net of Related Debt		100,000

To record as a fixed asset the net depreciated value of water department buildings. (Original cost of \$250,000, less allowable depreciation of \$150,000.)

Other Transactions

Loan authorization and issuance – Most capital projects and purchases of large equipment of an enterprise are funded, either totally or in part, by long-term borrowing in the form of issuance of serial bonds. These serial issues must be approved by either Town Meeting vote or by the City Council. The authorization is recorded when voted and reduced by either the issuance of bonds or the rescission of the authorization.

Investment of excess cash – Due to the fluctuation in cash flow of the enterprise during the year, there may be excess cash generated, which should be invested to benefit the enterprise. Certificates of deposit, securities, repurchase agreements and treasury bills are among the vehicles in which the funds may be invested. The expenses to purchase these investments must be made through approved treasury warrants and the principal and the interest earned on them must be reported through the Treasurer's Report on Cash Received.

35. An investment of excess funds is made in securities repurchase agreements.

650-1100	Short Term Investments	200,000	
650-1040	Cash – Unrestricted		200,000

To record the investment of excess cash

36. The security repurchase agreements are sold.

650-1040	Cash - Unrestricted	201,000	
650-1110	Short Term Investments		200,000
650-3910	Revenue		1,000

To record the sale of security repurchase agreements

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	1,000	
650-4820	Earnings on Investments		1,000

37. Payment of contract retainage.

650-2050	Contract Payable, Retained Percentage	67,500	
650-1040	Cash – Unrestricted		67,500

To pay contract retainage

38a. Repayment of bond anticipation notes.

650-2720	Bond Anticipation Notes	450,000	
650-3930	Expenses	15,000	
650-1040	Cash – Unrestricted		465,000

To repay bond anticipation notes payable

Subsidiary Ledger

650-5925	Interest on Notes	15,000	
650-5000	Subsidiary Appropriation Control		15,000

Adjusting Entries

At the end of the fiscal year, the accounting for revenues in the Enterprise fund must be converted to the accrual basis. This is accomplished by reclassifying the total balances in the “Deferred Revenue – User Charges” to revenue, net of a reasonable amount for the estimated uncollectible accounts, which will be recorded in account 1399, Allowance for Uncollectible Receivables. The calculation of the estimated uncollectible portion of each type of receivable should be based on a given municipality’s actual experience. In this example, the allowance includes 5% of the water rates receivable, 100% of water liens and 100% of tax liens. No allowance was considered necessary for the governmental receivables.

38b. Adjusting Deferred Revenue for potential uncollectible accounts.

650-2651	Deferred Revenue – User Charges	96,726	
650-1399	Allowance for Uncollectible Receivables		17,500
650-3910	Revenue		79,226

To adjust the receivables to the accrual method

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	79,226	
650-4210	Utility Usage Charges		79,226

39. The expenses for the year for the purchase of large capital items are capitalized.

650-1940	Machinery and Equipment	25,000	
650-3930	Expenditures		25,000

To capitalize the large capital items purchased

Subsidiary Ledger

650-5000	Subsidiary Appropriation Control	25,000	
650-5850	Additional Equipment		25,000

40. The expenses for the year on the completed capital project are capitalized.

650-1920	Buildings	5,000,000	
650-1950	Construction in Progress		850,000
650-3930	Expenditures		4,150,000

To capitalize the completed capital project

Subsidiary Ledger

650-5000	Subsidiary Appropriation Control	4,150,000	
650-5820	Buildings		3,000,000
650-5850	Additional Equipment		1,150,000

41. The revenue recognized from grant reimbursements for the year should be reclassified to Net Assets Invested In Capital Assets, Net of Related Debt since such funds are not part of the operation of the enterprise.

650-3910	Revenue	3,112,500	
650-3001	Net Assets Invested in Capital Assets – Net of Related Debt		3,112,500

To reclassify grant revenue to contributed capital

Subsidiary Ledger

650-4540	Other Federal Revenue – Direct	3,112,500	
650-4000	Subsidiary Revenue Control		3,112,500

42. The depreciation of fixed assets for the current fiscal year is calculated and recorded.

650-3930	Expenditures	92,500	
650-1929	Accumulated Depreciation – Buildings		90,000
650-1949	Accumulated Depreciation – Machinery and Equipment		2,500

To record the depreciation of fixed assets for the year

Subsidiary Ledger

650-5828	Buildings – Depreciation	90,000	
650-5849	Site Improvements – Depreciation	2,500	
650-5000	Subsidiary Appropriation Control		92,500

43. The budget entry for appropriations is reversed.

650-3830	APPROPRIATIONS	875,343	
650-3890	BUDGETARY CONTROL		875,343

To close the appropriation accounts

Subsidiary Ledger

650-5110	Salaries and Wages, Permanent Positions	531,000	
650-5170	Fringe Benefits on Behalf of Employees	29,000	
650-5210	Energy	42,000	
650-5230	Non-Energy Utilities	3,500	
650-5240	Repairs and Maintenance	7,500	
650-5340	Communication	7,250	
650-5410	Energy Supplies	4,500	
650-5430	Building and Equipment Repairs and Maintenance Supplies	22,500	
650-5420	Office Supplies	7,500	
650-5480	Vehicular Supplies	98,000	
650-5530	Public Works Supplies	35,000	
650-5710	In-State Travel	2,750	
650-5740	Insurance Premiums	4,500	
650-5870	Replacement Equipment	25,000	
650-5925	Interest on Notes	25,343	
650-5000	Subsidiary Appropriation Control		875,343

43. The budget entry for estimated revenues is reversed.

650-3890	BUDGETARY CONTROL	875,343	
650-3815	ESTIMATED REVENUE		727,750
650-3820	ESTIMATED OTHER FINANCING SOURCES		147,593

To close the ESTIMATED REVENUE and ESTIMATED OTHER FINANCING
SOURCES accounts

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	875,343	
650-4142	Tax Liens Redeemed		3,500
650-4170	Penalties and Interest on Taxes and Excises		1,500
650-4210	Utility Usage Charges		672,750
650-4240	Other Non-Utility Charges		50,000
650-4970	Inter-fund Operating Transfers In		147,343

45. The budget entry for the capital project is reversed.

650-3830	APPROPRIATIONS	4,150,000	
650-3815	ESTIMATED REVENUE		3,112,500
650-3820	ESTIMATED OTHER FINANCING SOURCES		1,037,500

To close the budget accounts for the capital project

Subsidiary Ledger

650-4000	Subsidiary Revenue Control	4,150,000	
650-4540	Other Federal Revenue – Direct		4,150,000
650-5830	Plant	3,000,000	
650-5850	Additional Equipment	1,150,000	
650-5000	Subsidiary Appropriation Control		4,150,000

46. The revenues, expenses and other financing uses are closed out to Net Assets Unrestricted.

650-3910	Revenue	545,831	
650-3015	Net Assets Unrestricted		438,031
650-3930	Expenditures		107,700
650-3970	Other Financing Uses		100

To close the revenues and expenditures and other financing uses accounts

Closing Trial Balance

650-1040	Cash – Unrestricted	616,320	
650-1240	Tax Liens Receivable	900	
650-1310	User Charges Receivable	185,251	
650-1330	Utility Liens Added to Taxes	11,600	
650-1399	Allowance for Uncollectible Receivables		17,500
650-1920	Buildings	5,250,000	
650-1929	Accumulated Depreciation – Buildings		240,000
650-1940	Machinery and Equipment	25,000	
650-1949	Accumulated Depreciation – Machinery and Equipment		2,500
650-2010	Warrants Payable		54,408
650-2622	Deferred Revenue – Tax Liens		900
650-2651	Deferred Revenue – User Charges		29,294
650-2653	Deferred Revenue – Utility Liens		4,523
650-2948	Bonds Payable, Outside Debt Limit – (Water)		1,250,000
650-3001	Net Assets Invested in Capital Assets – Net of Related Debt		3,850,000
650-3015	Net Assets Unrestricted		639,946
		<u>6,089,071</u>	<u>6,089,071</u>

Internal Service Funds

Internal service funds (ISFs) are funds that are used to report an activity that provides from a central source goods and services to other funds, departments or agencies. A primary use in Massachusetts is for a self-insurance activity (e.g. group health, workers compensation, building insurance and liability insurance). Another ISF use is a motor vehicle pool where the full cost of the pool is supported by charges to other departments' appropriations. Another example is a central supply office. However, if full cost is not recovered by fees and charges, that is, they are financed by a separate appropriation, the use of an ISF would not be appropriate. In this case, these functions will probably be included as part of general government.

Self-Insured Health Claims Trust Fund per G.L. c. 32B, § 3A

Chapter 32B – Contributory Group General or Blanket Insurance for Persons in the Service of Counties, Cities, Towns and Districts and Their Dependents

Section 3A – Administrative services contract for payment of claims

General Principles of a Self-Insured Health Claims Trust Fund

Local governments can manage and finance the risks associated with providing health insurance in any number of ways ranging from purchasing commercial insurance for all or part of the risks of loss, to participating in public entity risk pools and to retaining all risks of loss.

When a government purchases commercial insurance, they transfer the risks of losses to a third party. The third party establishes a premium for the covered losses over a certain period of time. This practice limits the government's exposure to the premium paid and they will not share in any profit or loss incurred by the third party insurer. The government will negotiate with the covered members to allocate the employer/employee share of the premium.

If the government believes it is more economical to manage its health insurance risks internally, it would set aside assets for claim settlement in its Health Claims Trust Fund. As part of management's evaluation of the benefits of being self-insured, it may elect to assume all of the risk of loss or purchase what is commonly known as stop loss insurance from a third party to limit its exposure to loss.

With a self-insured plan, the government acts like a commercial insurer to determine what the appropriate premium for the year will be that will be sufficient to cover all of the anticipated expenses that it will incur for the plan year. Both the employer and employee's share of the premium will be transferred to the Health Claims Trust and will be recorded as revenue within the Trust. All costs incurred for claims and administration

will be recorded as expenses within the Trust. At the end of each year, the surplus or deficit generated will have an impact on future premiums.

A self-insured plan is one in which the employer and employees assume the financial risk for providing health care benefits to employees, retirees and other covered members. Communities must adopt G.L. c. 32B, § 3A to establish a separate fund to account for the health claims activities.

Key Provisions of Chapter 32B, § 3A

Once the community accepts the provisions of this law, it must design its accounting systems to provide full accounting and proof of compliance with these provisions. The key elements of this law are as follows:

- Contracts with service administrators or providers cannot exceed 5 years;
- The Treasurer will establish a Claims Trust Fund and deposit all appropriated and other amounts into the fund;
- Investment earnings of the fund shall remain with the fund;
- The Treasurer will disburse from the fund all expenses related to its operation;
- The contribution rate between the employer and employee/retiree establishes the basis for allocating any net assets of the fund;
- The contribution rates established between the employer and employee/retiree requires that the accounting system allocate the administrative service charge, claims paid and claims if actual contributions and expense allocations are different than the contribution rates previously set, then future contribution rates must be adjusted to correct the imbalance;
- If the contribution rate is 75% employer and 25% employee/retiree, then all expenses must be allocated on the same basis. This will have the effect of having both parties having the same relative share in any remaining surplus or deficit;
- The Trust must be audited each year and can be done as part of the annual audit of the community. The audit shall determine whether the accounting for the fund is in accordance with generally accepted accounting principles, including accrual for claims that have been incurred but not paid as of the conclusion of the fiscal year;
- If the Trust is in a deficit at the end of the fiscal year, it must be funded. If the community does not fund the deficit through available funds, it must raise the deficit as part of the subsequent fiscal year's tax rate. A political subdivision must provide for the deficit in the next year's budget;
- If the community has funded a deficit, then future contribution rates must be adjusted to rebalance the fund to the contribution rates previously set. This can be accomplished by increasing the employee/retiree contributions or reducing future employer contributions as surpluses are generated.

Common Type of Health Claims Trust Plans

When a community establishes a Health Claims Trust Fund, there are different options on how to administer the plans. The most common option chosen is to negotiate with one or several commercial insurers to administer the claims payments for a fee. The claims they pay on the community's behalf are accounted for separately by the administrator and available for the community to view.

The most common plans offered by the third party administrators are level monthly payment plans or a plan with working capital deposits.

In a level monthly payment plan, the community, its insurance advisor and the third party administrator estimate the total expected claims that will be processed for the upcoming year. That total will be divided by 12 and each month the Health Claims Trust will pay the administrator the level payment. Usually at the end of each quarter, the administrator will provide a reconciliation report that details the total payments received from the Health Claims Trust and the actual payments made by the administrator. If the actual claims paid exceed the level monthly payments, then the Health Claims Trust pays the administrator the difference. If the opposite occurs, the administrator refunds the Health Claims Trust.

Within the Health Claims Trust, the actual expense paid each quarter is equal to the actual claims and administration cost paid by the administrator. To properly account for these transactions within the Trust, all payments to the administrator along with all receipts or credits received from the administrator would be recorded as expenses. At the end of a financial reporting period, the amount due to or from the administrator would be recorded as either as receivable or payable and the offsetting expense.

A plan that requires a working capital deposit requires the community to deposit an agreed upon amount with the administrator. This amount is usually higher than one month's average claims paid. The accounting definition of positive working capital is where a company has sufficient funds to pay for current liabilities. A working capital deposit allows the administrator to pay claims promptly because they have funds on hand to fund the payment. At the end of each month, the administrator bills the Health Claims Trust to reimburse them for the actual claims and expenses paid in the previous month.

The working capital deposit is recorded as a short term asset. The payment to the administrator each month is equal to the actual claims and expenses paid on the community's behalf. Therefore, this payment is fully expensed. There is no quarterly settlement reconciliation as part of this plan.

At the start of each new policy period, there is frequently a change in the amount of the working capital deposit required. Any change must be accounted for as a change in the asset.

Incurred But Not Reported (IBNR) Liability

An important accounting aspect of the cost of a self-insurance fund is costs that have been incurred but not reported as of the end of the fiscal year. Incurred but not reported (IBNR) claims are defined by GASB Cod. Soc C50.113, footnote 5 as follows:

IBNR includes (a) known loss events that are expected to later be presented as claims, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported. IBNR, therefore, is largely an estimate of loss associated with future likely claims activity based on historical actual results that establish a reliable pattern. For example, after reviewing historical claims experience, one might find that only 40 percent of all claims are normally reported during the year of occurrence, an additional 50 percent the next year, and the remainder in the third year. This pattern would be used to estimate IBNR amounts and the timing of those amounts for financial reporting purposes.”

IBNR will be recorded as an expense and liability in the Health Claims Trust Internal Service Fund.

There is no set way to estimate IBNR. Consideration must be given to many factors. The most important are the trends experienced by each community’s plan. Working with your health insurance advisor is usually a good place to start. They can produce various reports on your prior history that can reasonable estimate the liability. Although not required, the community can have an actuarial analysis of the plan.

Stop Loss Insurance

Regardless of the type of self-insured plan adopted, the community will normally purchase stop loss insurance with a commercial insurer. The premium is paid by the Health Claims Trust and is fully expensed for the policy period.

The transfer of risk of loss from the community to the stop loss insurer provides insurance in excess of a certain, typically large, amount. Stop loss insurance works like the deductible on car insurance. If you get into an accident and total your car, you are responsible for the first \$1,000 of damage while the insurer will pay for the remaining damages. Stop loss insurance works in a similar manner. The community selects at what level of loss they will fund through contributions and once this level is reached, they purchase insurance for the excess. The most common type of stop loss insurance is when the Health Claims Trust is responsible for all claims paid during the policy period for an individual up to a set limit (say \$200,000), while the insurer will be responsible for all claims in excess of that amount.

Normally, the Health Claims Trust will pay the excess claims and submit documentation to a third party stop loss insurer for reimbursement. When the reimbursement is

received, the amounts should be captured in its' own general ledger account with a credit balance but for financial reporting purposes should be netted against expenses.

Illustrative Journal Entries for an Internal Service (self insurance) Fund

Accounting for the activities of the internal service, self insurance fund is depicted through a series of journal entries in the following pages. In most instances, the journal entries have been arranged in the order in which they would occur during the fiscal year. The entries have been grouped under the following general categories:

Opening Entries
Expenses
Revenue
Other Transactions
Adjusting Entries
Closing Entries
Closing Trial Balance

The journal entries illustrate the entire accounting cycle for one fiscal year, beginning with the opening trial balance and ending with a closing trial balance.

The example chosen for an internal service fund reflects the operations of a self-insurance trust fund, but the same basic entries and accounting theory are applicable to other internal service funds.

Opening Entries

The opening entries record the opening trial balance carried over from the prior year and restores the accounts to the basis of accounting on which they will be maintained during the year.

1. The trial balance after final adjustment at the close of the prior year end is recorded as the current year's beginning trial balance, including memoranda accounts.

691-1040	Cash – Unrestricted	6,000,000	
691-1870	Deposits	300,000	
691-2020	Accounts Payable		4,500,000
691-3015	Net Assets Unrestricted		1,800,000
		<u>6,300,000</u>	<u>6,300,000</u>

Expenses

2. The plan pays expenses to the plan administrator for the prior month.

691-2020	Accounts Payable	2,000,000	
691-1040	Cash – Unrestricted		2,000,000

To pay expenses of the health insurance trust funds

Revenue

3. The plan receives its monthly contributions from the employees and the local government.

691-1040	Cash – Unrestricted	1,500,000	
691-3910	Revenue		1,500,000

To record the revenue for the month

Expenses

4. The local government receives an invoice from the administrative organization for the monthly expense, health and administrative costs.

691-3930	Expenses	1,125,000	
691-2020	Accounts Payable		1,125,000

To record the administrative expense for the month.

Other Transactions

5. The administrative agency decides to reduce the deposit the local government must maintain.

691-1040	Cash – Unrestricted	50,000	
691-1870	Deposits		50,000

To record the reduction of the deposit required.

Adjusting Entries

6. Based on past experience the local government determines the incurred but not reported expense. (To be reversed in the subsequent year.)

691-3930	Expenses	250,000	
691-2020	Accounts Payable		250,000

To record the incurred but not reported expense for the year

Closing Entries

7. The revenues and expenses are closed out to net assets unrestricted.

691-3910	Revenue	1,500,000	
691-3930	Expenses		1,375,000
691-3015	Net Assets Unrestricted		125,000

To close the nominal accounts for the year.

Closing Trial Balance

691-1040	Cash-Unrestricted	5,550,000	
691-1870	Deposits	250,000	
691-2020	Accounts Payable		3,875,000
691-3015	Net Assets Unrestricted		1,925,000
		<u>5,800,000</u>	<u>5,800,000</u>

CHAPTER 13 – FIDUCIARY AND PERMANENT FUNDS

Massachusetts governments have historically classified fiduciary funds as follows:

- Expendable Trust Funds;
- Non-Expendable Trust Funds;
- Agency Funds.

Expendable trust funds are trust funds where the interest and the principal (corpus) may be expended consistent with the Trust indenture.

Non-Expendable trust funds are trust funds where the interest only (not the principal (corpus)) may be expended consistent with the Trust indenture (i.e. Cemetery Perpetual Care).

Agency funds are used to account and report the resources where the government is acting as an agent for the funds. Examples are meals tax and withholdings.

These funds are called fiduciary funds because the funds are not part of the government but are held in trust or as an agent for an individual, private organization or another government.

GASB 34 made significant changes to trust funds. The titles of the fund types have changed and the accounting has been modified. Non-expendable and expendable trust funds have been reclassified. Agency funds are still considered fiduciary funds. The 2003 and 2007 versions of the UMAS Manual revised the fund structure to recognize the GASB 34 reclassification of funds,

Permanent Fund Type

Permanent funds are governmental funds and use the modified accrual method of accounting. They are funds in which the principal is legally restricted and only the earnings can be used to support activities. An example is the Cemetery Perpetual Care fund. In this case, the choice of investments is left to the donor or if the donor has not stipulated, the Cemetery Commissioners. These funds are similar to the former non-expendable trust funds where the beneficiary is the government itself and the method of accounting is modified accrual. If trusts benefit an individual, private entity or another government, the fund would be a private purpose trust fund in the fiduciary fund type. An example would be the Scholarship Fund. Since the permanent fund type uses the modified accrual basis of accounting, the accounting is similar to Special Revenue Funds.

Beginning Entry

1. At the beginning of the year, the Cemetery Perpetual Care Fund had the following balances:

530-1040	Cash – Unrestricted	5,000	
530-1110	Short Term Investments	6,000	
530-2020	Accounts Payable		1,000
530-3280	Fund Balance – Reserved for Special Purposes		1,000
530-3590	Undesignated Fund Balance		9,000

2. Bills of the prior year are paid.

530-2020	Accounts Payable	1,000	
530-1040	Cash – Unrestricted		1,000

To record payment of prior year bills

3. Interest on investments is received.

530-1040	Cash – Unrestricted	50	
530-3910	Revenue		50

To record receipt of interest on investments

4. Expenditures are incurred.

530-3930	Expenditures	100	
530-1040	Cash – Unrestricted		100

To record expenditures

5. Cemetery lots are sold.

530-1040	Cash – Unrestricted	500	
530-3910	Revenue		500

To record the sale of cemetery lots

6. Additional expenditures are incurred.

530-3930	Expenditures	50	
530-2020	Accounts Payable		50

To record additional expenditures

7. Closing Entries

530-3910	Revenue	550	
530-3930	Expenditures		150
530-3590	Undesignated Fund Balance		400

To close revenue and expenditure accounts to Undesignated Fund Balance

8. Part of fund balance is reclassified as a reserve.

530-3590	Undesignated Fund Balance	500	
530-3280	Fund Balance – Reserved for Special Purposes		500

To reclassify funds whose use is restricted

Ending Trial Balance

530-1040	Cash-Unrestricted	4,450	
530-1110	Short Term Investments	6,000	
530-2020	Accounts Payable		50
530-3280	Fund Balance – Reserved for Special Purposes		1,500
530-3590	Undesignated Fund Balance		8,900
		<u>10,450</u>	<u>10,450</u>

Private Purpose Fund Type

Private purpose trust funds are fiduciary funds and use the accrual method of accounting. The beneficiaries of these funds are individuals, private organizations and other governments. For example, a Scholarship Fund would be a Private Purpose Trust Fund.

Note: In a private purpose trust fund, account #3910, Revenue, is titled Additions. Also, account #3930, Expenditures, is entitled Deductions.

Beginning Balance

1. At the beginning of the fiscal year, the Scholarship Trust Fund had the following balances:

851-1040	Cash – Unrestricted	250	
851-1110	Short Term Investments	750	
851-2020	Accounts Payable		500
851-3010	Net Assets Restricted		500

2. Donations are received from various individuals and organizations.

851-1040	Cash – Unrestricted	1,000	
851-3910	Additions		1,000

To record the receipt of donations

3. Various bill for services performed for the fund are paid.

851-2020	Accounts Payable	500	
851-1040	Cash – Unrestricted		500

To record expenses paid

4. Investments are sold and the fund receives \$5 in interest.

851-1040	Cash – Unrestricted	255	
851-1110	Short Term Investments		250
851-3910	Additions		5

To record the sale of investments

5. An additional \$5 in interest is earned on investments but not yet received. :

851-1550	Accrued Interest Receivable	5	
851-3910	Additions		5

To record the interest on investments but not yet received

6. Several scholarships are awarded to students.

851-3930	Deductions	750	
851-2020	Accounts Payable		750

To record the award of scholarships

7. The scholarships are paid to students.

851-2020	Accounts Payable	750	
851-1040	Cash – Unrestricted		750

To record the payment of scholarships

8. Closing entries

851-3910	Additions	1,010	
851-3930	Deductions		750
851-3010	Net Assets Restricted		260

To close temporary accounts to Net Assets Restricted

Ending Trial Balance

851-1040	Cash – Unrestricted	255	
851-1110	Short Term Investments	500	
851-1550	Accrued Interest Receivable	5	
851-3010	Net Assets Restricted		760
		<u>760</u>	<u>760</u>

Other Fiduciary Fund Types

Other Fiduciary Fund types are : Investment Trust Funds, Pension (and other employee Benefit Fund types and Agency Funds. Investment trust funds are seldom used by Massachusetts local governments. Pension Funds include system trusts and Internal Revenue Code section 457 deferred compensation plans. Agency Funds are used for funds the government is holding for another entity and therefore have no equity. For example, some governments use Agency Funds to account for withholding taxes. Others merely pay the withholding taxes from the General Fund.

Pension Fund

Beginning Balance

1. At the beginning of the fiscal year, the Pension Fund had the following balances:

700-1040	Cash – Unrestricted	2,000	
700-1110	Short Term Investments	15,000	
700-2020	Accounts Payable		1,000
700-3010	Net Assets Restricted		16,000

2. Amounts withheld from employees are paid to the fund.

700-1040	Cash – Unrestricted	5,000	
700-3910	Additions		5,000

To record amounts received from employees

3. An appropriation from the General Fund for the employer contribution is transferred to the Pension Fund (enterprise funds and other proprietary funds may make their own contributions).

700-1040	Cash – Unrestricted	10,000	
700-3910	Additions		10,000

To record amounts received for employer contributions

4. Investments are purchased for funds not necessary to meet obligations.

700-1110	Short Term Investments	6,000	
700-1040	Cash – Unrestricted		6,000

To record the investment of cash

5. Benefits are paid to pension fund participants.

700-3930	Deductions	5,000	
700-1040	Cash – Unrestricted		5,000

To record the payment of benefits to plan members

6. Administrative costs are incurred.

700-3930	Deductions	500	
700-2020	Accounts Payable		500

To record the administrative costs for the plan

7. Administrative costs are paid.

700-2020	Accounts Payable	500	
700-1040	Cash – Unrestricted		500

To record the payment of administrative costs

8. Closing entries

700-3910	Additions	15,000	
700-3930	Deductions		5,500
700-3010	Net Assets Restricted		9,500

Ending Trial Balance

700-1040	Cash – Unrestricted	5,500	
700-1110	Short Term Investments	21,000	
700-2020	Accounts Payable Net		1,000
700-3010	Net Assets Restricted		25,500
		<u>26,500</u>	<u>26,500</u>

Agency Fund

1. At the beginning of the fiscal year, the Agency Fund had the following balances:

903-1040	Cash – Unrestricted	10,000	
903-2120	Federal Income Tax Withholdings Payable		5,000
903-2130	State Income Tax Withholdings Payable		2,000
903-2170	Union Dues Withholdings Payable		1,000
903-2180	Employee Savings Withholdings Payable		2,000

2. Amounts withheld from the previous year are paid.

903-2120	Federal Income Tax Withholdings Payable	5,000	
903-2130	State Income Tax Withholdings Payable	2,000	
903-2170	Union Dues Withholdings Payable	1,000	
903-2180	Employee Savings Withholdings Payable	2,000	
903-1040	Cash – Unrestricted		10,000

To record the payment of amounts withheld in the previous year

3. After payroll is made, funds withheld from employees are transferred to the Agency Fund.

903-1040	Cash – Unrestricted	1,000	
903-2120	Federal Income Tax Withholdings Payable		500
903-2130	State Income Tax Withholdings Payable		200
903-2170	Union Dues Withholdings Payable		100
903-2180	Employee Savings Withholdings Payable		200

To record receipt of amounts withheld from employees

4. The period and amount of federal income taxes withheld requires the funds to be deposited with a federal depository.

903-2120	Federal Income Tax Withholdings Payable	500	
903-1040	Cash – Unrestricted		500

To record the payment of federal income tax withholdings

5. The state income taxes are required to be paid to the state.

903-2130	State Income Tax Withholdings Payable	200	
903-1040	Cash – Unrestricted		200

To record the payment of state income tax withholdings

6. Union dues and Employee Savings plan are remitted.

903-2170	Union Dues Withholdings Payable	100	
903-2180	Employee Savings Withholdings Payable	200	
903-1040	Cash – Unrestricted		300

7. The last payroll of the fiscal year is made and the withholdings are remitted to the Agency Fund.

903-1040	Cash – Unrestricted	1,200	
903-2120	Federal Income Tax Withholdings Payable		600
903-2130	State Income Tax Withholdings Payable		300
903-2170	Union Dues Withholdings Payable		200
903-2180	Employee Savings Withholdings Payable		100

To record receipt of withholdings from the General and Other Funds

8. Ending Trial Balance

903-1040	Cash – Unrestricted	1,200	
903-2120	Federal Income Tax Withholdings Payable		600
903-2130	State Income Tax Withholdings Payable		300
903-2170	Union Dues Withholdings Payable		200
903-2180	Employee Savings Withholdings Payable		100

CHAPTER 14 – THE CALCULATION OF FREE CASH

Free cash is the amount of funds in a city, town or special purpose district which is unrestricted and available for appropriation in accordance with G.L. c. 59, § 23, after certification by the Director of Accounts.

At the end of the fiscal year, the Accountant will close the books of the governmental entity and prepare a balance sheet. In the past, some Accountants relied upon the entity's audit firm to perform the closing. In recent years, changes in Government Auditing Standards now prohibit Certified Public Accountants from performing certain functions they once performed for the governmental entity.

Every city, town and special purpose district should submit the balance sheet with supporting documentation to the Bureau of Accounts for determination of "free cash." Every regional school district should do the same for determination of "excess and deficiency."

The Director of Accounts certifies free cash based upon the governmental entity's balance sheet for the fiscal year ended June 30. The balance sheet, consisting of assets, liabilities and fund balances, is prepared by the Accountant with a target submission date of September 15 to allow for possible appropriation of such funds during the fall season. A combined balance sheet with backup documentation is required from each entity. Backup documentation includes:

- Combined Balance Sheet and Combining Balance Sheets for each fund type including individual fund balances;
- Detailed analysis of undesignated fund balance/surplus revenue;
- Completed year end checklist;
- Cash reconciliation form;
- Treasurer's quarterly cash report;
- Schedule of outstanding receivables;
- Statement of indebtedness;
- Snow and Ice annual report;
- Audited financial statements if required by the Director;
- Other information as requested by the Bureau.

Cities, towns and districts that have authorized debt or had a federal or state grant approved may expend for those purposes from available unrestricted funds in anticipation of the borrowing or receipt of grant funds. Any co-called inter-fund or internal borrowing or advances must be repaid during the same fiscal year and be made according to rules, regulations and guidelines promulgated by the Director of Accounts (G.L. c.44, §20A). *Illustrative journal entries regarding inter-fund or internal borrowings are found in Appendix J to this Manual.*

The Basic Free Cash Calculation

BEGIN	Undesignated Fund Balance
MINUS	Accounts Receivable
PLUS	Deferred Revenue
MINUS	Debit balances in other funds
MINUS	Illegally overspent appropriations (appropriations not allowed by General or Special law(s) to be overspent)
MINUS	Prepaid Items
MINUS	Amounts appropriated from free cash
PLUS	60 day collections from the date of mailing, net of refunds, if property tax bills were issued after May 1
PLUS	Late Payments
EQUALS	Free Cash

Free Cash Calculation in Detail

BEGIN – Undesignated Fund Balance: Undesignated Fund Balance – General Fund (001-3590). This is the amount of available expendable financial resources, neither reserved nor designated. Note: Overlay surplus, Fund Balance Reserved for Overlay Released by the Assessors for Expenditures (001-3220), must be closed out at the end of each fiscal year.

MINUS – Accounts Receivable: All receivables, except for property taxes, should be fully deferred. Otherwise, the amount of receivable outstanding in excess of the deferred revenue is deducted from free cash. The reason for this is that in a governmental fund, revenue is considered available only when received.

If the commitment for the succeeding fiscal year is made prior to the end of the fiscal year being examined on the balance sheet, the property tax receivable should be fully reserved. If cash is received for taxes of the subsequent fiscal year, revenue should not be recognized in the current fiscal year.

PLUS – Deferred Revenue: Property taxes are deferred until collected. This means that they will not be recognized until the funds are received. However, deferred property taxes are added back into the free cash calculation because the property tax will be eventually accounted for either through payment, abatement, property sale or an “Overlay” deficit raised by taxation in a subsequent fiscal year.

MINUS – Debit Balances in Other Funds: If a fund has a deficit fund balance that is the result of anticipated other governmental reimbursements or long term borrowing, the deficit is deducted from free cash because it represents a “loan” from the General Fund

to the fund in deficit. However, if the governmental entity borrows funds (BAN, GAN, SAN) by June 30 that equals or exceeds the amount of the deficit, the deficit will not reduce free cash.

MINUS – Illegally overspent appropriations (appropriations not allowed by General or Special law(s) to be overspent): If an entity overspends an appropriation, it should only be:

- a. an account which by law may be overspent (e.g. overlay, snow and ice with certain conditions);
- b. an account which gains the approval of the Director of Accounts to overspend (e.g. final court judgments, emergencies).

Legally overspent accounts can either be funded by appropriation or raised on the following fiscal year's Tax Rate Recap. Illegally overspent accounts such as ordinary operating appropriations, certain capital project expenditures and expenditure driven grants will reduce free cash and must also be raised on the following fiscal year's Tax Rate Recap.

MINUS – Prepaid Items: Free cash is reduced for prepaid items such as vacations and insurance. Prepaying an item means that the entity is using some of its resources today for tomorrow's obligations. If a city or town adopts G.L. c. 44, § 65, vacation advances will not be deducted from free cash.

MINUS – Amounts appropriated from Free Cash: Appropriations from free cash prior to the end of the fiscal year for the following fiscal year should be reserved on the balance sheet. This reservation will reduce the undesignated Fund Balance. Free cash cannot be appropriated until it is certified by the Director of Accounts. In addition, free cash cannot be appropriated to an amount greater than the amount so certified.

PLUS – 60 day Accruals: Only for governmental entities that issued a tax bill after May 1, of the fiscal year, the Bureau allows an increase to fund balance by real and personal property tax collections, net of refunds, received 60 days from the date of mailing.

PLUS – Late Payments: Other reimbursements received through September 30 for expenditures made in the prior fiscal year that resulted in deficit fund balances as of June 30 may be accrued or may be requested of the Director of Accounts that the payment be considered toward the deficit payment.

CHAPTER 15 – GENERAL FIXED ASSETS ACCOUNT GROUP AND GENERAL LONG TERM OBLIGATIONS ACCOUNT GROUP

GFAAG and GLTOAG

GASB 34 abolished the General Fixed Assets Account Group (GFAAG) and the General Long Term Obligations Account Group (GLTOAG). However, in order for a local government to maintain records to account for assets and long term obligations for Governmental Funds (and certain Fiduciary Funds), UMAS has retained them.

UMAS has expanded this concept to suggest that all assets and long term obligations for Governmental Funds and Proprietary Funds should be accounted for in these groups. Assets and long term obligations for Proprietary Funds and certain Fiduciary Funds are accounted for in the General Fixed Assets Account Group (and the General Long Term Obligations Account Group) and are reported (for GAAP financial reporting purposes) in their specific fund with which they are associated. GASB 34 requires not only that Governmental Funds be adjusted to full accrual for the government wide Statement of Net Assets, but also identify assets and long term obligations for these funds.

Amounts to be Provided

The Chart of Accounts provides accounts for these groups. For example, the 1990 accounts in the assets section includes various “Amounts to be Provided” for the GLTOAG. It should be noted that the “Amounts to be Provided” should only appear in this account group. No other funds should use these accounts. Account 3015, “Net Assets Unrestricted”, should be used as an offset for governmental fixed assets. However, these assets will not be net of related debt. Accounts in the 1900 group are used to account for fixed assets and accumulated depreciation.

Change Pre-GASB 34

When a governmental fund acquires an asset, capital outlay expenditure is charged and an entry is made in the GFAAG for the acquisition. A change in the handling of depreciation for fixed assets from pre-GASB 34 account group usage is that at the end of the fiscal year, an entry should be made for depreciation crediting the asset and debiting the related accumulated depreciation account. This is necessary to provide information for the government wide Statement of Net Assets.

Accounting

When a long term obligation is incurred, the appropriate fund (usually a Capital Projects Fund) recognizes the debt as an Other Financing Source and an entry is made in the fiscal year. Adjusting entries are made for other long term obligations such as compensated absences, capital leases and judgments and claims. In addition, future payments for school construction paid from the chapter 70B program can be accounted for.

Illustrative Journal Entries

Current maturities of principal, together with related interest on a general obligation serial bond, will be appropriated and paid in the General Fund. At the same time, an entry will be made in the GLTOAG reversing the specific bond liability and the related "Amount to be Provided."

The entries which follow illustrate the accounting for the GLTOAG and are presented in the following sequence:

Opening Entry
Memorandum Entry
Bond Issues and Payments
Closing Trial Balance

Opening Entry

1. At the beginning of the fiscal year, account balances from the prior year's ending trial balance should be recorded in the general ledger.

050-1996	Amount to be Provided for Payment of Bonds	2,000,000
050-1997	Amount to be Provided, State (Chapter 70B)	300,000
050-2940	Bonds Payable – Outside Debt Limit – School Construction	500,000
050-2912	Bonds Payable – Inside Debt Limit – Land Acquisition and Public Buildings	50,000
050-2988	Bonds Payable – Outside Debt Limit – Industrial and Economic Development	1,000,000
050-2992	Bonds Payable – Outside Debt Limit – Public Disasters and Emergencies	750,000

To record the opening balances in the general ledger

Memorandum Entries

Memorandum entries are not required for this group of accounts, but are recommended to monitor the amounts of serial loan issues authorized by the appropriate authority and the subsequent serial issues or authorization rescissions. Memorandum accounts should not be closed out at the end of the fiscal year. Such accounts should only be eliminated when zeroed out by serial issues or authorization rescissions. Although these accounts do appear in opening or closing trial balances, they are not reflected in the financial statements.

- 1a. Serial bond issues are authorized by appropriate authority.

050-3760	BONDS AUTHORIZED	1,000,000	
050-3770	BONDS AUTHORIZED – OFFSET		1,000,000

To record the authorization to issue serial bonds

- 1b. Serial bonds are issued (assumes that there were authorization balances carried forward from the prior year).

050-3770	BONDS AUTHORIZED – OFFSET	5,000,000	
050-3760	BONDS AUTHORIZED		5,000,000

To record the issuance of bonds authorized

Bond Issues and Payments

2. Serial bonds are issued in connection with a capital project recorded in the Capital Projects Fund.

050-1996	Amount to be Provided for Payment of Bonds	5,000,000	
050-2912	Bonds Payable, Inside the Debt Limit – Land Acquisition and Public Buildings		5,000,000

To record the issuance of serial bonds for a new fire station

3. Payment of current maturing principal is appropriated and paid in the General Fund.

050-2940	Bonds Payable – Outside Debt Limit – School Construction	50,000	
050-2912	Bonds Payable – Inside Debt Limit – Land Acquisition and Public Buildings	25,000	
050-2988	Bonds Payable – Outside Debt Limit – Industrial and Economic Development	50,000	
050-2992	Bonds Payable – Outside Debt Limit – Public Disasters and Emergencies	450,000	
050-1996	Amount to be Provided for Payment of Bonds		545,000
050-1997	Amount to be Provided, State (Chapter 70B)		30,000

To record the current maturities of bond principal

Closing Trial Balance

050-1996	Amount to be Provided for Payment of Bonds	6,455,000	
050-1997	Amount to be Provided, State (Chapter 70B)	270,000	
050-2940	Bonds Payable – Outside Debt Limit – School Construction	450,000	
050-2912	Bonds Payable – Inside Debt Limit – Land Acquisition and Public Buildings	25,000	
050-2944	Bonds Payable – Outside Debt Limit – Sewer Treatment Plant	5,000,000	
050-2988	Bonds Payable – Outside Debt Limit – Industrial and Economic Development	950,000	
050-2992	Bonds Payable – Outside Debt Limit – Public Disasters and Emergencies	300,000	
		<u>6,725,000</u>	<u>6,725,000</u>

Illustrative Journal Entries - GFAAG

The entries which follow illustrate the accounting for the GFAAG and are presented in the following sequence:

- Opening Entry
- Closing Trial Balance

Opening Entry

1. At the beginning of the fiscal year, account balances from the prior year's ending trial balance should be recorded in the general ledger.

010-1910	Land	5,000,000	
010-1920	Buildings	10,000,000	
010-1929	Accumulated Depreciation - Buildings		2,000,000
010-1930	Plant	15,000,000	
010-1939	Accumulated Depreciation – Plant		4,000,000
010-1940	Machinery and Equipment	6,000,000	
010-1949	Accumulated Depreciation – Machinery and Equipment		1,500,000
010-1950	Construction in Progress	15,000,000	
010-3015	Net Assets Unrestricted		43,500,000
		<u>51,000,000</u>	<u>51,000,000</u>

2. A project to build a new fire station is completed and bonded.

010-1920	Buildings	5,000,000	
010-1950	Construction in Progress		5,000,000

To record as an asset the new fire station

3. Depreciation is recorded on the fixed assets.

010-3970	Other Financing Sources	3,000,000	
010-1929	Accumulated Depreciation – Buildings		1,500,000
010-1939	Accumulated Depreciation – Plant		1,000,000
010-1949	Accumulated Depreciation – Machinery and Equipment		500,000

To record annual depreciation

Closing Trial Balance

4. Closing trial balance

010-1910	Land	5,000,000	
010-1920	Buildings	15,000,000	
010-1929	Accumulated Depreciation - Buildings		3,500,000
010-1930	Plant	15,000,000	
010-1939	Accumulated Depreciation – Plant		5,000,000
010-1940	Machinery and Equipment	6,000,000	
010-1949	Accumulated Depreciation – Machinery and Equipment		2,000,000
010-1950	Construction in Progress	10,000,000	
010-3015	Net Assets Unrestricted		40,500,000
		<u>51,000,000</u>	<u>51,000,000</u>

List of Appendices

<u>Appendix</u>	<u>Title</u>
A	Changes to the Uniform Massachusetts Accounting System
B	Asset Accounts – Summary Table
C	Liability Accounts – Summary Table
D	Fund Equity Accounts – Summary Table
E	Revenue Accounts – Summary Table
F	Functions and Organizational Responsibility
G	Expenditure Objects
H-1	Water Pollution Abatement Trust Entries for pools 1 – 10
H-2	Water Pollution Abatement Trust Entries for pools 11 -
I	List of Funds
J	Accounting Entries for Inter-fund Borrowing
K	Revenue Deficits
L	Massachusetts School Building Authority Entries
M	Self Insured Health Care Trust Fund Example

APPENDIX A

Changes to the Uniform Massachusetts Accounting System

Date	Subject	Add Pages	Remove Pages
7/04	Appendix K	254 – 256	none
7/04	Account #3593	47	47
7/04	Education Collaboratives	3	3
7/04	List of Appendices	225	225
7/04	Appendix A	226	226
6/06	Appendix H	243 – 246	243 – 246
6/06	Appendix A	225	225
8/07	Chapter 11	173 – 188	166 – 183
8/07	Chapter 12	189 – 216	184 – 200
7/01/2011	UMAS Changes	See Below	See Below
7/2012	New Chapter 9	106 – 157	106 – 146

This is the first phase of a multi-part effort to review and amend certain UMAS provisions. Major changes that affect or reiterate important accounting policy only are noted below.

- Ch. 1 – UMAS is an accounting system, not a financial reporting system;
- Ch. 2 – Change to the UMAS chart of accounts to GASB 54 financial reporting classifications is not required;
- Ch. 6 – Subsidiary Revenue Control encompasses Other Financing Sources in non-General Fund entries;
- Ch. 7 – Subsidiary Appropriation Control encompasses Other Financing Uses in non-General Fund entries
- Ch. 11 – Long term liabilities for bonds payable for Governmental Fund types are recorded in the GLTOAG. Capital costs for Governmental Fund fixed asset are recorded upon expenditure in the GFAAG. Capital costs for Governmental Fund capital facility are recorded upon expenditure in the GFAAG;
- Ch. 12 – Long term liabilities for bonds payable for Proprietary Funds are recorded in the GLTOAG. Capital costs for Proprietary Fund fixed asset are recorded upon expenditure in the GFAAG. Capital costs for Proprietary Fund capital facility or other major capital asset is accounted for within the Capital Projects Fund and will be recorded upon expenditure in the GFAAG;
- Ch. 12 – New information regarding an Internal Service Fund for a Self-Insured Health Care Trust Fund;
- App. H-2 – Entries for Massachusetts Water Pollution Abatement Control, pools 11 forward;
- App. L – Entries for Massachusetts School Building Authority
- App. M – Sample Set Up of Ledgers for Self-Insured Health Care Trust Fund

7/2012 Changes to Chapter 9:

- New sections, narratives and examples;
- GASB adjustments were removed;
- “Cherry Sheet” entries re-grouped;
- Commitments, collections, abatements, refunds re-grouped;
- Deferred Revenue for Tax Foreclosures;
- Added subsidiary entries where necessary;
- Re-named Fund Balance Reserved for Overlay Released by the Assessors for Expenditure to Fund Balance Reserved for Overlay Surplus;
- Re-named Unreserved Fund Balance – Unprovided Abatements and Exemptions to Unreserved Fund Balance – Overlay Deficits

APPENDIX B

ASSET ACCOUNTS – SUMMARY TABLE

<u>Code</u>	<u>Asset Account</u>
1010	Cash on Hand
1020	Petty Cash
1040	Cash – Unrestricted
1060	Cash – Restricted
1110	Short Term Investments
1185	Unamortized Premiums on Bonds
1186	Unamortized Discounts on Bonds
1190	Long Term Investments
1210	Personal Property Taxes Receivable
1220	Real Estate Taxes Receivable
1230	Allowance for Abatements and Exemptions
1240	Tax Liens Receivable
1250	Property Tax Receivable – Community Preservation Act
1251	Estimated Personal Property Taxes Receivable
1252	Estimated Real Estate Taxes Receivable
1253	Deferred Property Tax Receivable
1254	Taxes Receivable in Litigation
1255	Unbilled Real and Personal Property Taxes Receivable
1260	Motor Vehicle Excise Receivable
1270	Boat Excise Receivable
1280	Farm Animal Excise Receivable
1290	Classified Forestlands Receivable
1299	Allowance for Uncollectible Excises
1310	User Charges Receivable
1320	Other Service Receivable
1330	Utility Liens Added to Taxes
1340	Departmental Receivables
1399	Allowance for Uncollectible Receivables
1410	Unapportioned Special Assessments
1420	Apportioned Assessments Added to Taxes
1430	Committed Interest Added to Taxes
1440	Apportioned Assessments, Not Yet Due
1460	Suspended Assessments
1470	Special Assessments Tax Liens
1499	Allowance for Uncollectible Special Assessments

APPENDIX B (cont)

ASSET ACCOUNTS – SUMMARY TABLE

<u>Code</u>	<u>Asset Account</u>
1510	Notes Receivable
1550	Accrued Interest Receivable
1601	Due from General Fund
1610	Due from Special Revenue Funds
1630	Due from Capital Projects Funds
1660	Due from Proprietary Funds
1680	Due from Permanent, Private Purpose Trust and Agency Funds
1710	Due from Federal Government
1720	Due from Commonwealth of Massachusetts
1730	Due from County
1740	Due from Municipalities
1790	Due from Other Governmental Units
1810	Inventories for Consumption
1830	Inventories for Resale
1850	Prepaid Expenses
1860	Travel and Payroll Advances
1870	Deposits
1880	Tax Foreclosures
1890	Other Assets
1910	Land
1920	Buildings
1929	Accumulated Depreciation – Buildings
1930	Plant
1939	Accumulated Depreciation – Plant
1940	Machinery and Equipment
1949	Accumulated Depreciation – Machinery and Equipment
1950	Construction in Progress
1991	Amounts to be Provided for Judgments and Claims Payable
1992	Amounts to be Provided for Accrued Sick, Vacation and Other Compensated Absences
1993	Amounts to be Provided for Accrued Retirement Costs
1994	Amounts to be Provided for Payment of Bond Anticipation Notes Payable
1995	Amounts to be Provided for Payment of Capitalized Leases
1996	Amounts to be Provided for Payment of Bonds
1997	Amounts to be Provided, State (Chapter 70B)

APPENDIX C

LIABILITY ACCOUNTS – SUMMARY TABLE

<u>Code</u>	<u>Liability Account</u>
2010	Warrants Payable
2020	Accounts Payable
2050	Contracts Payable, Retainage Percentage
2110	Accrued Payrolls Payable
2120	Federal Income Tax Withholdings Payable
2130	State Income Tax Withholdings Payable
2140	Retirement Withholdings Payable
2150	Insurance Withholdings Payable
2160	Charitable Contributions Withholdings Payable
2170	Union Dues Withholdings Payable
2180	Employee Savings Withholdings Payable
2190	Other Payroll Withholdings Payable
2210	Accrued Judgments Payable
2220	Accrued Liabilities
2230	Accrued Sick, Vacation and Compensated Absences
2240	Accrued Retirement Costs
2301	Due to General Fund
2310	Due to Special Revenue Funds
2330	Due to Capital Projects Funds
2350	Due to Permanent Funds
2360	Due to Proprietary Funds
2380	Due to Private Purpose, Pension and Agency Funds
2410	Due to Federal Government
2420	Due to Commonwealth of Massachusetts
2430	Due to County
2440	Due to Municipalities
2490	Due to Other Governmental Units
2510	Undistributed Receipts
2520	Abandoned Property, Tailings and Unclaimed Items
2530	Excess on Sale of Land of Low Value
2550	Deposits Held to Guarantee Payment
2580	Other Liabilities
2590	Matured Debt and interest Payable
2610	Deferred Revenue – Real and Personal Property Taxes
2622	Deferred Revenue – Tax Liens
2623	Deferred Revenue – Tax Foreclosures

APPENDIX C (cont)

LIABILITY ACCOUNTS – SUMMARY TABLE

<u>Code</u>	<u>Liability Account</u>
2625	Deferred Revenue – Community Preservation Act
2630	Deferred Revenue – Motor Vehicle Excise
2641	Deferred Revenue – Boat Excise
2642	Deferred Revenue – Farm Animal Excise
2643	Deferred Revenue – Classified Forestlands
2651	Deferred Revenue – User Charges
2652	Deferred Revenue – Other Services
2653	Deferred Revenue – Utility Liens
2654	Deferred Revenue – Departmental
2660	Deferred Revenue – Special Assessments
2670	Deferred Revenue – Intergovernmental
2680	Deferred Revenue – Other
2710	Revenue or Tax Anticipation Notes Payable
2720	Bond Anticipation Notes Payable
2730	Grant Anticipation Notes Payable
2790	Other Notes Payable
2810	Capitalized Lease Obligations
2900 – 2907	Bonds Payable – Inside Debt Limit – Sewer
2908 – 2911	Bonds Payable – Inside Debt Limit – Street and Sidewalk
2912 – 2915	Bonds Payable – Inside Debt Limit – Land Acquisition and Public Buildings
2916 – 2919	Bonds payable – Inside Debt Limit – Removal of Asbestos
2920 – 2923	Bonds Payable – Inside Debt Limit – Parks and Recreation
2924 – 2927	Bonds Payable – Inside Debt Limit – Cemeteries
2928 – 2931	Bonds Payable – Inside Debt Limit – Energy Conservation
2932 – 2935	Bonds Payable – Inside Debt Limit – Departmental Equipment
2936 – 2939	Bonds Payable – Inside Debt Limit – Other
2940 – 2943	Bonds Payable – Outside Debt Limit – School Construction
2944 – 2947	Bonds Payable – Outside Debt limit – Sewer Treatment Plants
2948 – 2951	Bonds Payable – Outside Debt Limit – Water
2960 – 2963	Bonds Payable – Outside Debt Limit – Sanitation
2964 – 2967	Bonds Payable – Outside Debt Limit – Parks and Recreation
2980 – 2983	Bonds Payable – Outside Debt Limit – Utility Systems
2984 – 2987	Bonds Payable – Outside Debt Limit – Airports
2988 – 2991	Bonds Payable – Outside Debt Limit – Industrial and Economic Development
2992 – 2994	Bonds Payable – Outside Debt Limit – Public Disasters and Emergencies
2995	Water Pollution Abatement Trust
2996 – 2999	Bonds Payable – Outside Debt Limit – Other

APPENDIX D

FUND EQUITY ACCOUNTS – SUMMARY TABLE

<u>Code</u>	<u>Fund Equity Account</u>
3001	Net Assets Invested in Capital Assets, Net of Related Debt
3010	Net Assets Restricted
3015	Net Assets Unrestricted
3090	Investment in General Fixed Assets
3211	Fund Balance Reserved for Encumbrances
3212	Fund Balance Reserved for Prior Year Encumbrances
3213	Fund Balance Reserved for Construction
3220	Fund Balance Reserved for Overlay Released by the Assessors for Expenditures
3230	Fund Balance Reserved for Assets Held for Resale
3240	Fund Balance Reserved for Expenditures
3241	Fund Balance Reserved for Open Space
3242	Fund Balance Reserved for Historic Resources
3243	Fund Balance Reserved for Community Housing
3250	Fund Balance Reserved for Petty Cash
3260	Fund Balance Reserved for Inventories
3270	Fund Balance Reserved for Debt Service
3280	Fund Balance Reserved for Special Purposes
3291	Fund Balance Reserved for Endowment
3292	Fund Balance Reserved for Employee Retirement
3293	Fund Balance Reserved for Advances
3294	Fund Balance Reserved for Prepaid Expenses
3295	Fund Balance Reserved for Continued Appropriations
3296	Fund Balance Reserved for Reduction of Future Excluded Debt
3300	Fund Balance – Receipts Reserved for Appropriation
3320	Fund Balance Reserved for Community Preservation Act
3350	Fund Balance Reserved for Teachers' Pay Deferral
3400	Fund Balance Designated
3510	Fund Balance Designated for Federal Grants
3520	Fund Balance Designated for State Grants
3560	Fund Balance – Revolving Funds
3580	Fund Balance Designated for Other Purposes
3590	Undesignated Fund Balance
3592	Unreserved Fund Balance – Appropriation Deficits
3593	Unreserved Fund Balance – Revenue Deficit
3594	Unreserved Fund Balance – Unprovided Abatements and Exemptions

APPENDIX D (cont)

FUND EQUITY ACCOUNTS – SUMMARY TABLE

<u>Code</u>	<u>Fund Equity Account</u>
3595	Unreserved Fund Balance – Final Court Judgments
3597	Unreserved Fund Balance – Offset Receipts Deficit
3599	Unreserved Fund Balance – Year End Adjustments
3710	State and Federal Grants Awarded (Memorandum)
3720	State and Federal Grants Awarded – Offset (Memorandum)
3730	Projects Authorized (Memorandum)
3740	Projects Authorized – Offset (Memorandum)
3760	Bonds Authorized – (Memorandum)
3770	Bonds Authorized – Offset (Memorandum)
3810	Estimated Tax Levy – (Budgetary)
3815	Estimated Revenue – (Budgetary)
3820	Estimated Other Financing Sources – (Budgetary)
3830	Appropriations – (Budgetary)
3860	Other Authorized expenditures – (Budgetary)
3870	Estimated Other Financing Uses – (Budgetary)
3880	Budgetary Fund Balance – (Budgetary)
3890	Budgetary Control
3910	Revenue
3920	Other Financing Sources
3930	Expenditures
3940	Encumbrances
3950	Prior Year Expenditures
3960	Prior Year Encumbrances
3970	Other Financing Uses

APPENDIX E

REVENUE ACCOUNTS – SUMMARY TABLE

SUBSIDIARY REVENUE CONTROL

4000 Subsidiary Revenue Control

TAXES AND EXISES

4110 Personal Property Taxes
4120 Real Estate Taxes
4130 Abatements and Exemptions
4142 Tax Liens Redeemed
4143 Litigated Taxes Collected
4145 Tax Foreclosures
4150 Motor Vehicle Excise
4160 Other Excise
4170 Penalties and Interest on Taxes and Excises
4180 Payments in Lieu of Taxes
4190 Other Taxes

CHARGES FOR SERVICES

4210 Utility Usage Charges
4220 Other Utility Non-Usage Charges
4240 Other Non-Utility Usage Charges
4270 Other Non-Utility, Non-Usage Charges for Services
4320 Fees
4340 Tuition
4350 Pupil Transportation
4360 Rentals
4370 Other Departmental Revenue

LICENSES AND PERMITS

4410 Alcoholic Beverage Licenses
4420 Other Licenses
4450 Permits

FEDERAL REVENUE

4515 Community Development Block Grants
4540 Other Federal Revenue – Direct
4580 Other Federal Revenue – Through the State

APPENDIX E (cont)

REVENUE ACCOUNTS – SUMMARY TABLE

STATE REVENUE

4610	Reimbursement for Loss of Taxes
4620	Education Distributions and Reimbursements – School Aid Distributions
4640	Education Offset Items – Reserve for Direct Expenditures
4660	General Government – Reimbursements and Distributions
4680	Other State Revenue

OTHER GOVERNMENTAL REVENUE

4710	Indirect Distributions
4720	County Distributions
4730	Municipal Distributions
4740	Payments on Behalf of

SPECIAL ASSESSMENTS

4750	Special Assessments
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FINES AND FORFEITS

4770	Fines and Forfeits
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MISCELLANEOUS REVENUE

4810	Sales of Inventory
4820	Earnings on Investments
4830	Contributions and Donations
4840	Miscellaneous
4890	Gain or Loss in Investment Portfolio

OTHER FINANCING SOURCES

4910	Proceeds from Sale of Bonds
4920	Proceeds from Issue of Temporary Loans
4930	Premiums from Sale of Bonds
4940	Dispositions of Fixed Assets
4950	Compensation for Loss of Fixed Assets
4960	Interest Received on Bonds Sold
4970	Inter-fund Operating Transfers In
4990	Otherwise Unclassified Other Financing Sources

APPENDIX F

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

GENERAL GOVERNMENT

110	Legislative
111	City and Town Council
112	Aldermen
113	Town Meeting
114	Town Meeting Moderator
119	Other Legislative
120	Executive
121	Mayor
122	Selectmen
123	Town or City Manager
129	Other Executive
130	Financial Administration
131	Finance Committee
132	Reserve Fund *
133	Finance Director
134	Comptroller
135	Accountant/Auditor
137	Budget Office
138	Purchasing Agent
141	Assessors
142	Revaluation *
145	Treasurer
146	Collector
149	Other
150	Operations Support
151	Law Department or Town/City Counsel
152	Personnel
153	Civil Service
155	Data Processing or Management Information Systems
157	Messenger
158	Tax Title Foreclosure *
159	Other
160	Licensing and Registration
161	Clerk
162	Elections *
163	Registration *

APPENDIX F (cont)

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

164	Licensing Commission
169	Other Licensing and Registration *
170	Land Use
171	Conservation Commissioner
172	Community Preservation Committee – Open Space
175	Planning Board/Department
176	Zoning/Appeals Board
179	Other Land Use
180	Development
181	Urban Development
182	Economic Development
183	Community Preservation Committee – Housing
185	Rent Control
189	Other Development
190	Other
191	Worker's Compensation Agent
192	Public Buildings and Properties Maintenance *
193	Property Insurance *
194	Community Preservation Committee – Historic Preservation
195	Town Reports *
199	Other General Government

PUBLIC SAFETY

210	Police
220	Fire
230	Emergency Medical Services
231	Ambulance Service
232	Emergency Medical Technicians
240	Protective Inspection
241	Building
242	Gas
243	Plumbing
244	Weights and Measures
245	Electrical
246	Public Scales
249	Other *
290	Other
291	Civil Defense

APPENDIX F (cont)

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

- 292 Animal Control Officer
- 293 Traffic Control
- 294 Forestry
- 295 Harbormaster
- 299 Other Public Safety *

EDUCATION

- 300 Education

PUBLIC WORKS AND FACILITIES

- 410 Engineering
- 411 Engineer
- 420 Highways and Streets
- 421 Administration *
- 422 Construction and Maintenance *
- 423 Snow and Ice Removal *
- 424 Street Lighting *
- 425 Vehicle Maintenance *
- 429 Other *
- 430 Waste Collection and Disposal
- 431 Administration *
- 432 Street Cleaning *
- 433 Collection and Disposal *
- 439 Other *
- 440 Sewerage Collection and Disposal
- 443 Pumping Stations *
- 449 Other *
- 450 Water Distribution
- 460 Electric Distribution
- 470 Gas Distribution
- 480 Transportation Facilities
- 481 Parking Garage
- 482 Airport
- 490 Other
- 491 Cemetery

APPENDIX F (cont)

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

HUMAN SERVICES

510	Health Inspection Services
511	Health Officer
512	Board of health
519	Other *
520	Clinical Services
521	Health Center
522	Nursing Service
523	Mental Health Clinic
524	Dental Clinic
529	Other *
530	Medical Facilities
540	Special Programs
541	Council on Aging
542	Youth Services
543	Veterans' Services
549	Other *
560	Public Assistance
590	Other

CULTURE AND RECREATION

610	Library
630	Recreation
650	Parks
670	Museums
690	Other
691	Historical Commission
692	Celebrations *
699	Other Cultural and Recreation *

DEBT SERVICE

710	Retirement of Debt *
750	Interest
751	Interest on Long Term Debt *
752	Interest on Short Term Debt *

APPENDIX F (cont)

FUNCTIONS AND ORGANIZATIONAL RESPONSIBILITY

INTERGOVERNMENTAL EXPENDITURES

- 810 Federal Assessment and Charges *
- 820 State Assessments and Charges *
- 830 County Assessments and Charges *
- 840 Other Intergovernmental Assessment and Charges *

UNCLASSIFIED

- 910 Employee Benefits
- 911 Retirement and Pension Contributions *
- 912 Worker's Compensation *
- 913 Unemployment Compensation *
- 914 Health Insurance *
- 915 Life Insurance *
- 916 Medicare *
- 919 Other *
- 930 Capital Projects
- 940 Other Unclassified
- 941 Court Judgments *
- 945 Liability Insurance *
- 950 Permanent Funds and Special Purpose Trust Funds
- 990 Transfers
- 991 Transfers to General Fund
- 992 Transfers to Special Revenue Funds
- 993 Transfers to capital Projects Funds
- 994 Transfers to Permanent Funds
- 995 Transfers to Proprietary Funds
- 996 Transfers to Private Purpose Trust and Agency Funds

APPENDIX G

Expenditure Objects

Subsidiary Appropriation Control

5000 Subsidiary Appropriation Control

PERSONAL SERVICES

5110 Salaries and Wages, Permanent Positions
5120 Salaries and Wages, Temporary Positions
5130 Additional Gross, Overtime
5140 Additional Gross, Differentials
5150 Fringe Benefits to Employees
5170 Fringe Benefits on Behalf of Employees
5190 Other Personal Services

PURCHASE OF SERVICES

5210 Energy
5230 Non-Energy Utilities
5240 Repairs and Maintenance
5270 Rentals and Leases
5290 Other Property Related Services
5300 Professional and Technical
5320 Tuition
5330 Pupil Transportation
5340 Communication
5350 Recreational
5380 Other Purchased Services

SUPPLIES

5410 Energy Supplies
5420 Office Supplies
5430 Building and Equipment Repairs and Maintenance Supplies
5450 Custodial and Housekeeping Supplies
5460 Groundskeeping Supplies
5480 Vehicle Supplies
5490 Food and Food Service Supplies
5500 Medical and Surgical Supplies
5510 Educational Supplies
5530 Public Works Supplies
5580 Other Supplies

APPENDIX G (cont)

Expenditure Objects Subsidiary Appropriation Control

INTERGOVERNMENTAL

5610 Federal
5620 County Amortization
5621 County Tax
5630 State Assessments
5631 Special Education
5636 Health Insurance, Governmental Retirees
5637 Health Insurance, Retired Municipal Teachers
5639 Mosquito Control Projects
5640 Air Pollution Control Districts
5641 Metropolitan Area Planning Council
5642 Old Colony Planning Council
5646 RMV Non-Renewal Surcharge
5650 Other State Assessments
5661 MBTA
5662 Boston Metropolitan District
5663 Regional Transit Authorities
5664 Multi-Year Repayments Program
5667 Small Town Road Assistance Program
5690 Other Intergovernmental
5694 Mass Water Resources Authority

OTHER CHARGES AND EXPENSES

5710 In-State Travel
5720 Out-of-State Travel
5730 Dues and Memberships
5740 Insurance Premiums
5760 Judgments
5770 Veterans' Benefits
5780 Other Unclassified Items

APPENDIX G (cont)

Expenditure Objects Subsidiary Appropriation Control

CAPITAL OUTLAY

- 5810 Land
- 5820 Buildings
- 5829 Buildings – Depreciation
- 5830 Plant
- 5839 Plant – Depreciation
- 5840 Site Improvements
- 5849 Site Improvements – Depreciation
- 5850 Additional Equipment
- 5859 Additional Equipment – Depreciation
- 5870 Replacement Equipment
- 5879 Replacement Equipment Depreciation
- 5890 Construction in Progress

DEBT SERVICE

- 5910 Maturing Principal on Long term Debt
- 5915 Interest on Long Term Debt
- 5925 Interest on Notes

OTHER FINANCING USES

- 5950 Repayment of Temporary Loans
- 5960 Inter-fund Operating Transfers
- 5961 Transfers to General Fund
- 5962 Transfers to Special Revenue Funds
- 5963 Transfers to Capital Projects Funds
- 5964 Transfers to Permanent Funds
- 5965 Transfers to Proprietary Funds
- 5966 Transfers to Special Purpose Trust and Agency Funds

APPENDIX H – 1

Mass. Water Pollution Abatement Trust (for pools 1 – 10)

The entries in the example are based on the following information derived from an actual MWPAT (Massachusetts Water Pollution Abatement Trust) loan. For brevity, budgetary and memorandum entries are not shown. They would be the same entries as those in Chapter 11 – Capital Projects Funds and Chapter 12 – Proprietary Funds.

Massachusetts Water Pollution Abatement Trust Revolving Loan Program for Local Governments

Summary of Example:

USE OF FUNDS

Amount available for Construction	\$3,490,950
Issuance Costs	\$17,292
Origination Fee	\$4,748
Total Use of Funds:	\$3,512,990

SOURCE OF FUNDS

Bond Issued	\$3,376,192
Premium	\$136,798
Total Source of Funds:	\$3,512,990

TOTAL DEBT SERVICE

Bond Issued	\$3,376,192
Interest Cost	\$1,760,433
Total Gross Debt Service	\$5,136,625
Less: MWPAT Subsidy	\$2,120,936
Total Net Debt Service	\$3,015,689

TOTAL TO BE REPAID

Principal	\$2,529,284
Interest	\$486,405
Total to be Repaid	\$3,015,689

Source: Schedule C

APPENDIX H – 1 (cont)

Entries if the program is operated in governmental funds.

Capital Projects Fund

1. The local government receives an interim loan from the MWPAT.

300-1040	Cash – Unrestricted	500,000	
300-2720	Bond Anticipation Notes Payable		500,000

To record the receipt of funds from the MWPAT.

2. The local government pays a contractor for work performed on the project.

300-3930	Expenditures	100,000	
300-1040	Cash – Unrestricted		100,000

To record the payment to the contractor on the MWPAT project.

3. The local government signs a bond agreement with MWPAT and receives the proceeds.

300-1040	Cash – Unrestricted	2,876,192	
300-2720	Bond Anticipation Notes	500,000	
300-3920	Other Financing Sources		3,376,192

To record the proceeds of the loan from MWPAT.

General Fund

All financing entries will be in the general fund.

1. The local government receives permanent financing from the WPAT.

001-1040	Cash – Unrestricted	3,490,950	
001-3930	Expenditures	22,040	
001-3920	Other Financing Sources		136,798
001-1040	Cash – Unrestricted		3,376,192

To record the receipt of the proceeds from the WPAT financing.

APPENDIX H – 1 (cont)

Subsidiary Ledger

001-5920	Issuance Costs	22,040	
001-5000	Subsidiary Appropriation Control		22,040
001-4000	Revenue Control	136,798	
001-4930	Premium on Sale of Bonds		136,798

2. The local government records the first payment of interest.

001-3930	Expenditures	33,547	
001-3910	Revenue		16,737
001-1040	Cash – Unrestricted		16,811

To record the payment of interest on the WPAT debt.

Subsidiary Ledger

001-4000	Revenue Control	16,737	
001-4820	Earnings on Investments		16,737
001-5925	Interest on Notes	33,547	
001-5000	Subsidiary Appropriation Control		33,547

3. The local government records the first payment of principal and interest.

001-3930	Expenditures	207,871	
001-3910	Revenue		99,457
001-1040	Cash – Unrestricted		108,414

To record the payment of debt service to the MWPAT

Subsidiary Ledger

001-5910	Maturing Principal on Long-Term Debt	207,871	
001-5000	Subsidiary Appropriation Control		207,871
001-4000	Subsidiary Revenue Control	99,457	
001-4680	Other State Revenue		99,457

APPENDIX H – 1 (cont)

General Obligation Account Group

1. The local government records the long-term debt to the WPAT.

050-1996	Amounts to be Provided for the Payment of Bonds	3,376,192	
050-2995	WPAT Bonds Payable		3,376,192

To record the receipt of the proceeds of debt from WPAT.

2. The local government records the repayment of loan principal to WPAT.

050-2995	WPAT Bonds Payable	207,871	
050-1996	Amounts to be provided for the Payment of Bonds		207,871

To record the repayment of principal to WPAT.

Entries if the program is operated in an Enterprise Fund

1. The local government receives an interim loan from the MWPAT.

650-1040	Cash – Unrestricted	500,000	
650-2720	Bond Anticipation Notes Payable		500,000

To record the issuance of Bond Anticipation Notes

2. The local government pays a contractor for work performed on the project.

650-1950	Construction in Progress	100,000	
650-1040	Cash – Unrestricted		100,000

To record the payment to the contractor on the MWPAT project.

APPENDIX H – 1 (cont)

3. The local government signs a bond agreement with MWPAT and receives the proceeds.

650-1040	Cash – Unrestricted	3,490,950	
650-2720	Bond Anticipation Notes Payable	500,000	
650-3930	Expenditures	22,040	
650-3920	Other Financing Sources		136,798
650-1040	Cash – Unrestricted		500,000
650-2995	MWPAT Bonds Payable		3,376,192

To record the proceeds of the loan from MWPAT.

4. The local government records the first payment of interest.

650-3930	Expenses	33,547	
650-3910	Revenue		16,737
650-1040	Cash – Unrestricted		16,811

To record the payment of interest on the WPAT debt.

5. The local government records the first payment of principal and interest.

650-3930	Expenses	71,042	
650-2995	Bonds Payable – Outside Debt Limit	136,829	
650-3910	Revenue		99,457
650-1040	Cash – Unrestricted		108,414

To record the payment of debt service to the MWPAT

APPENDIX H – 2

Mass. Water Pollution Abatement Trust (for pools beginning with 11)

The Massachusetts Water Pollution Abatement Trust (MWPAT) administers the Revolving Loan Program and acting like a bank utilizes federal and state grants, as well as bonding authority, to provide subsidized loans to the Commonwealth's cities, towns, authorities and districts. These loans fund the construction and repair of wastewater and drinking water treatment plants and related infrastructure at significant savings to ratepayers. This Appendix explains the typical entries related to accounting for MWPAT loans with a fixed rate of 2%.

The entries in the example are based on the following information derived from an actual MWPAT loan. The assumption for this example is that the program is associated with a Water Enterprise Fund.

Massachusetts Water Pollution Abatement Trust Revolving Loan Program for Pools 11 and above

Summary of Example:

Use of Funds

Amounts available for Construction	\$3,889,893
Total Use of Funds	\$3,889,893

Source of Funds

Bond Proceeds – MWPAT	\$3,104,791
Federal Funds – ARRA	\$785,102
Total Source of Funds	\$3,889,893

Interim Loan from MWPAT

Interim Loan Note	\$1,000,000
Interest	\$14,600
	\$1,014,600

Total Permanent Debt Service

Bond Issued – MWPAT	\$3,104,791
Interest Cost	\$694,399
Total Debt Service	\$3,799,190

First Year Debt Service

Principal Repayment	\$127,526
Interest	\$60,821
Total First Year Debt Service	\$188,347

Unspent Bond Proceeds

Bond Proceeds not needed for project	\$48,000
	\$48,000

APPENDIX H – 2 (cont)

Memorandum entry to record authorization to borrow

The local governmental unit (LGU) appropriates for the project and authorizes the Treasurer to borrow to finance the costs of the project. When the bonds are authorized, the Accountant will record an entry in the Water Enterprise General Long Term Obligations Account Group.

1. The following entry is made in the GLTOAG to record the authorization of bonds based on the appropriate certified vote authorizing the Treasurer to borrow for the entire project.

General Ledger

050-3760	BONDS AUTHORIZED (MEMORANDUM)	3,889,893	
050-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)		3,889,893

To record vote authorizing borrowing for the project

Budgetary Entries

The LGU will record a budget in a Capital Projects Fund for the total project costs, revenues and other financing sources after approval from MWPAT.

2. The following entries are made in the general ledger and subsidiary ledgers to record the budget.

General Ledger

302-3810	ESTIMATED REVENUE	785,102	
302-3820	ESTIMATED OTHER FINANCING SOURCES	3,104,791	
302-3830	APPROPRIATIONS		3,889,993

APPENDIX H – 2 (cont)

Subsidiary Ledger

302-4500	Federal Grant Revenue	785,102	
302-4910	Bond Proceeds	3,104,791	
302-4000	Subsidiary Revenue Control		3,889,993
302-5890	Project Expenditures		3,889,993
302-5000	Subsidiary Appropriation Control	3,889,993	

To record the budgeted appropriations, estimated revenues and estimated other financing sources of the project

Interim Financing

The MWPAT may provide interim financing to the LGU to finance the project expenditures pending permanent financing.

- The LGU records the following entry upon receipt of the interim loan proceeds.

General Ledger

302-1040	Cash – Unrestricted	1,000,000	
302-2720	Bond Anticipation Notes Payable		1,000,000
050-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)	1,000,000	
050-3760	BONDS AUTHORIZED (MEMORANDUM)		1,000,000

To record loan proceeds from MWPAT and reduction in the authorization to borrow due to issuance of interim financing from the MWPAT

Federal Funding

The LGU may receive federal funding for the project passed through MWPAT. MWPAT will typically disburse the federal funds first.

APPENDIX H – 2 (cont)

4. The following entry is made to record the receipt of federal funds. Before June 30, town meeting votes to reduce the amount of bonds authorized by the amount of the federal grant received.

General Ledger

302-1040	Cash – Unrestricted	785,102	
302-3910	Revenue		785,102
050-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)	785,102	
050-3760	BONDS AUTHORIZED (MEMORANDUM)		785,102

Subsidiary Ledger

302-4000	Subsidiary Revenue Control	785,102	
302-4500	Federal Revenue		785,102

To record the receipt of federal financial assistance and related reduction in Bonds Authorized

Issuance of Bonds

The MWPAT will provide permanent financing in the form of a bond issue. All interim loans and accrued interest on interim loans will be paid off at the time the bond is issued. The MWPAT will disburse the bond proceeds as the project progresses and hold the remaining in an account at MWPAT designated for the LGU. The Accountant will record the principal amount of the bond in the accounting ledgers on the issue date and the LGU will draw down on the bond as needed.

APPENDIX H – 2 (cont)

5. The following entry is made to record the MWPAT bond proceeds.

General Ledger

302-1040	Cash – Unrestricted	1,000,000	
302-1065	Cash on Deposit at MWPAT	2,104,791	
302-3920	Other Financing Sources		3,104,791
050-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)	3,104,791	
050-3760	BONDS AUTHORIZED (MEMORANDUM)		3,104,791
050-1996	Amounts to be Provided for the Payment of Bonds	3,104,791	
050-2965	Bonds Payable – MWPAT		3,104,791

Subsidiary Ledger

302-4000	Subsidiary Revenue Control	3,104,791	
302-4910	Bonds Proceeds – MWPAT		3,104,791

To record proceeds of Bonds Payable – MWPAT and related reduction in Bonds Authorized

6. The following entry is made to record the payoff of interim loan payable and related interest. Note that BAN interest is being paid from the Enterprise Fund.

General Ledger

302-2720	Bond Anticipation Notes Payable	1,000,000	
302-1040	Cash – Unrestricted		1,000,000
600-3930	Expenditures	14,600	
600-1040	Cash – Unrestricted		14,600

Subsidiary Ledger

600-5925	Interest on Notes	14,600	
600-5000	Subsidiary Appropriation Control		14,600

To record payoff of interim loan payable and related short term interest

APPENDIX H – 2 (cont)

Project Expenditures

7. The LGU pays a contractor for work performed on the project.

General Ledger

302-3930	Expenditures	515,390	
302-1040	Cash – Unrestricted		515,390

Subsidiary Ledger

302-5830	Project Expenditures	515,390	
302-5000	Subsidiary Appropriation Control		515,390

To record project expenditures

Draw Down of Bond Proceeds

Proceeds from the bond are disbursed to the LGU as work progresses.

8. Record the receipt/draw down of the bond proceeds.

General Ledger

302-1040	Cash – Unrestricted	515,390	
302-1065	Cash on Deposit – MWPAT		515,390

To record receipt/draw down of cash on hand at the Trust

Payment of principal and interest on Bonds Payable

The LGU will pay maturing debt principal and interest on the Bonds Payable – MWPAT from the appropriate operating fund (General Fund or Enterprise Fund). In this example, the Water Enterprise Fund is responsible for debt payments.

APPENDIX H – 2 (cont)

9. Record the first maturing debt principal and related interest on the Bonds Payable – MWPAT.

General Ledger

600-3930	Expenditures	188,347	
600-1040	Cash – Unrestricted		188,347

Subsidiary Ledger

600-5910	Maturing Principal on Long Term Debt	127,526	
600-5915	Interest on Long Term Debt	60,821	
600-5000	Subsidiary Appropriation Control		188,347

Memorandum Entry

050-2965	Bonds Payable – MWPAT	127,526	
050-1996	Amounts to be Provided for the Payment of Bonds		127,526

To record payment of maturing debt principal and interest on the Bonds Payable – MWPAT

Unspent Bond Proceeds

Typically, the LGU has 24 months to draw down on the bond. After 24 months, the MWPAT and the LGU may agree to reduce the bond for any amounts not needed (i.e. unspent) for the project. If this happens, a new agreement is executed with a lower principal amount and a new debt repayment schedule.

APPENDIX H – 2 (cont)

10. Record the reduction to the bonds for amounts not needed for the project.

General Ledger

302-3920	Other Financing Sources	48,000	
302-1065	Cash on Deposit at MWPAT		48,000
050-2995	Bonds Payable – MWPAT	48,000	
050-1990	Amounts to be Provided for the Payment of Bonds		48,000
050-3760	BONDS AUTHORIZED (MEMORANDUM)	48,000	
050-3770	BONDS AUTHORIZED – OFFSET (MEMORANDUM)		48,000

Subsidiary Ledger

302-4910	Bond Proceeds	48,000	
302-3290	Subsidiary Revenue Control		48,000

To record the reduction in principal on Bonds Payable – MWPAT

APPENDIX I

LIST OF FUNDS

Special Revenue Funds

Fund Number	Fund	Statutory Reference
201	Adult and Continuing Ed	Ch. 71, §71E
202	Ambulance Receipts Reserved	Ch. 40, §5F
203	Beach and Pool Receipts Reserved	Ch. 40, §5F
204	Anniversary Celebrations	Ch. 44, §53I
205	Community School Program	Ch. 71, §71C
206	Dog Refund	Ch. 140, §172
207	Elderly Lunch Program	Ch. 15, §1L
208	Golf Course Receipts Reserved	Ch. 40, §5F
209	Insurance Reimbursements (over \$20,000)	
210	Insurance Reimbursements (under \$20,000)	Ch. 44, §53
211	Lost Books and Industrial Art Supplies	Ch. 44, §53
212	Off-Street Parking Receipts	Ch. 40, §§22B, 22C
213	Racial Equality	Ch. 76, §12A
214	Recreation and Parks Revolving	Ch. 44, §53D
215	Off-Duty Police Detail	Ch. 44, §53C
216	Sale of Cemetery Lots	Ch. 114, §§15, 25
217	Sale of Real Estate Fund	Ch. 44, §63
218	School Athletics and Other Receipts	Ch. 71, §47
219	School Choice	Ch. 76, §12B(o)
220	School Lunch	Ch. 548 of 1948
221	School Building Rental	Ch. 40, §3
222	Skating Rink Receipts Reserved	Ch. 40, §5F
223	Solid Waste Collection/Disposal	Ch. 44, §28C(f)
224	State Aid to Libraries	Ch. 78, §19A
225	Summer School Tuition	Ch. 71, §71E
226	Waterways Improvement Fund	Ch. 60B, §§2(I), 4
227	Waterways Improvement Fund	Ch. 40, §5G
228	Wetlands Protection Fees	Ch. 131, §40
		Ch. 43, §218 Acts of 1997
		Ch. 194, §349 Acts of 1998
229	Regional School District Tuition	Ch. 71, §16D½
230	Extended School Services (Day Care Receipts)	Ch. 71, §26C
231	School Tuition Non-resident or Foster Care	Ch. 71, §71F
232	Parking Meter Receipts	Ch. 40, §§22A – 22C
233	Arts Lottery Council (Cultural)	Ch. 10, §58
234	Equal Education Opportunity	Ch. 70A, §4
235	Vocational Education Receipts	Ch. 74, §14B
236	Culinary Arts – Special Fund	Ch. 71, §17A
237	Disability Commission	Ch. 40, §22G
238	Planning/Zoning/Health/Conservation	Ch. 44, §53G
239	Highway and Water Pollution Grants	Ch. 44, §53
240	Recycling Commission Fund	Ch. 40, §8H
241	Performance Bond Forfeitures	Ch. 41, §81U
242	METCO Reimbursements	Ch. 71B, §12
243	Sewer Receipts	Ch. 83, §16
244	Water Surplus	Ch. 41, §69B
245	Trash Collection Charges	Ch. 44, §28C(f)

APPENDIX I (cont.)

Special Revenue Funds

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
246	Community Preservation Fund	Ch. 44B
247	Law Enforcement Trust	Ch. 94C, §47
248	Weights and Measurers Fines	Ch. 98, §29A
249	Spay and Neuter Deposits	Ch. 140, §139A
250	Stabilization	Ch. 40, §5B
251	Education Fund (Supplementing School Appropriations)	Ch. 60, §3C
252	Use of School Property	Ch. 71, §71E
253 - 260	Grants and Gifts	Ch. 44, §53A
261 - 265	Offset Receipts	Ch. 44, §53E
266 - 270	Revolving Funds (Annual Authorization)	Ch. 44, §53E½
271	Unemployment Compensation	Ch. 40, §5E
272	Workers' Compensation	Ch. 40, §13A
273	Multi-Community Yard Waste	Ch. 179 of 1993
274	Millennium/Centennial Celebration	Ch. 59 of 1998
275	School Bus Advertising	Ch. 184, §197 of 2002
276	Title 5 Betterment Loan Program	Ch. 29C
277	Receipts Reserved MWPAT Loans	Ch. 29C
278 - 299	Other Federal and State Grants	

Capital Projects Funds

300	Highway Improvement Fund (reimbursable highway grants on recap)	Ch. 44, §53
301 - 399	Other Capital Projects	
400 - 449	Water Projects	Ch. 41, §69B
450 - 499	Sewer Projects	Ch. 83, §16

Permanent Funds

530	Cemetery Perpetual Care	Ch. 114, §25
540 - 599	Bequests	Ch. 44, §53A

Enterprise Funds

650	Water Enterprise	Ch. 44, §53F½
651	Sewer Enterprise	Ch. 44, §53F½
652 - 659	Other Enterprise	Ch. 44, §53F½
660	Water Enterprise – Special Legislation	Special Legislation
661	Sewer Enterprise – Special Legislation	Special Legislation
662 - 669	Other Enterprise – Special Legislation	Special Legislation
670	Electric Light Department	Ch. 164, §57

APPENDIX I (cont.)

Internal Service Funds

<u>Fund Number</u>	<u>Fund</u>	<u>Statutory Reference</u>
691	Health Claims Insurance	Ch. 32B, §3A
692	Workers' Compensation Insurance	Ch. 40, §13A
693	Municipal Liability Insurance	
694	Municipal Building Insurance	Ch. 40, §13
695	Motor Vehicle Pools	

Pension (Other Employee Benefit) Trust Funds

700	Pension Reserve	Ch. 40, §5D
750	Other Post-Employment Benefits Liability Trust	Ch. 32B, §20

Private Purpose Trust Funds

850	Conservation	Ch. 40, §8C
851	Scholarship Trust Fund	Ch. 60, §3C
852	Regional School Stabilization	Ch. 71, §16G½
853	Educational/Instructional Materials	Ch. 71, §20A
854	Low Income Seniors and Disabled Tax Relief	Ch. 60, §3D
855	Education Fund (Adult Literacy)	Ch. 60, §3C

Agency Funds

900	Deferred Compensation	Ch. 4, §67
901	Performance Deposits	
902	Funds Held for Electric Light Department	
903	Payroll Withholdings	
904	Student Activity Agency Account	Ch. 71, §47

APPENDIX J

ACCOUNTING ENTRIES FOR INTER-FUND BORROWING

Example 1

This example assumes that reimbursement of a grant will be made by the Commonwealth during the current fiscal year.

1. The Accountant received from the Treasurer a Report of Advance of Funds in lieu of Borrowing which stated that on September 1, the General Fund advanced \$100,000 to the Capital Projects Fund to fund expenditures on a capital project which will be reimbursed by the state grant.

General Fund

001-1630	Due from Capital Projects Fund	100,000	
001-1040	Cash – Unrestricted		100,000

To record an advance in lieu of borrowing to the Capital Projects Fund

Capital Projects Fund

300-1040	Cash – Unrestricted	100,000	
300-2301	Due to General Fund		100,000

To record an advance in lieu of borrowing from the General Fund

2. On December 1, the Town billed the granting agency \$100,000 for reimbursement of money expended.

Capital Projects Fund

300-1720	Due from Commonwealth of Massachusetts	100,000	
300-2670	Deferred Revenue – Intergovernmental		100,000

To record grant funds applied for

3. The Town received \$100,000 from the granting agency on February 15.

Capital Projects Fund

300-1040	Cash – Unrestricted	100,000	
300-1720	Due from the Commonwealth Of Massachusetts		100,000

To record grant funds received

300-2670	Deferred Revenue – Intergovernmental	100,000	
300-3910	Revenue		100,000

To recognize funds received as Revenue

Subsidiary Ledger

300-4000	Subsidiary Revenue Control	100,000	
300-4660	General Government Reimbursements and Distributions		100,000

300-2301	Due to General Fund	100,000	
300-1040	Cash – Unrestricted		100,000

To record repayment of advance from General Fund

General Fund

001-1040	Cash – Unrestricted	100,000	
001-1630	Due from Capital Projects Fund		100,000

To record repayment of advance to general Fund

Example 2

This example assumes that the reimbursement from the Commonwealth of Massachusetts will not be received by June 30.

1. The Accountant received from the Treasurer a Report of Advance of Funds in Lieu of Borrowing which stated that on September 1, the General Fund advanced \$100,000 to the Capital Projects Fund to fund expenditures on a capital project which will be reimbursed by a state grant.

General Fund

001-1630	Due from Capital Projects Fund	100,000	
001-1040	Cash – Unrestricted		100,000

Capital Projects Fund

300-1040	Cash – Unrestricted	100,000	
300-2301	Due to General Fund		100,000

To record an advance in lieu of borrowing to the Capital Projects Fund

2. On December 1, the Town billed the granting agency \$100,000 for reimbursement of money expended.

Capital Projects Fund

300-1720	Due from the Commonwealth of Massachusetts	100,000	
300-2760	Deferred Revenue – Intergovernmental		100,000

To record grant funds applied for

3. The Treasurer and Accountant met on June 1 to review the outstanding advances. It was determined that reimbursement from the state was not expected to be received by June 30. On June 10, the Treasurer issued a state grant anticipation note (GAN) in the amount of \$100,000 and notified the Accountant of such.

Capital Projects Fund

300-1040	Cash – Unrestricted	100,000	
300-2730	Grant Anticipation Notes Payable		100,000

To record proceeds of GAN issued June 10

300-2301	Due to General Fund	100,000	
300-1040	Cash – Unrestricted		100,000

To record repayment of advance from General Fund

General Fund

001-1040	Cash – Unrestricted	100,000	
001-1630	Due from Capital Projects Fund		100,000

To record repayment of advance to General Fund

4. The Town received \$100,000 from the granting agency on September 10. The GAN was paid off on the same day.

Capital Projects Fund

300-1040	Cash – Unrestricted	100,000	
300-1720	Due from Commonwealth of Massachusetts		100,000

To record grant funds received

300-2670	Deferred Revenue – Intergovernmental	100,000	
300-3910	Revenue		100,000

To recognize funds received as Revenue

Subsidiary Ledger

300-4000	Subsidiary Revenue Control	100,000	
300-4660	General Government Reimbursements and Distributions		100,000
300-2730	Grant Anticipation Notes Payable	100,000	
300-1040	Cash – Unrestricted		100,000

To record repayment of GAN

APPENDIX K

REVENUE DEFICITS

QUESTIONS AND ANSWERS

1. What is a revenue deficit?

A revenue deficit occurs when the current results of operations (actual revenues and expenditures exclusive of legal appropriation deficits) result in a deficit when compared to the approved budget (budgeted revenues and appropriations) for the fiscal year.

2. How does an Accountant determine a revenue deficit?

Accountants should compare expenditures to appropriations during the fiscal year. They should also compare actual revenues collected to budgeted revenues (excluding property taxes) during that fiscal year. Collection of property taxes less than the amount budgeted (commitment less Overlay) does not result in a revenue deficit because there is a basic assumption that the Town will eventually be able to foreclose its lien on the property and collect the taxes by selling it.

At the end of the fiscal year, if actual revenues collected (excluding property taxes) are less than budgeted revenues, and appropriation balances remaining are not sufficient to cover the revenue shortfall, a revenue deficit exists.

3. How is a revenue deficit accounted for?

On the UMAS system, the revenue control in the revenue subsidiary ledger will have to be analyzed to determine if a revenue shortfall exists. The appropriation subsidiary ledger will have to be analyzed to determine the amount of appropriation balances remaining. If the appropriation balances are insufficient to cover the revenue shortfall, an adjustment to Undesignated Fund Balance is necessary to account for the revenue deficit.

001-3593	Unreserved Fund Balance – Revenue Deficit	XXXX	
001-3590	Undesignated Fund Balance		XXXX

APPENDIX K (cont)

4. How does a revenue deficit affect free cash?

A revenue deficit is required to be raised on the next fiscal year's tax rate. Therefore, if it is properly recorded, it does not affect the community's free cash.

5. How should a revenue deficit be reported?

The Accountant should notify the Assessors in writing as to the amount of the revenue deficit for the period ending June 30. The revenue deficit should also appear as a balance in account 001-3593, Unreserved Fund Balance – Revenue Deficit on the community's balance sheet as of June 30.

6. Examples of a revenue deficit.

A city finalizes its budget for a fiscal year with the following:

Total revenues \$100,000
Total appropriations \$100,000

Note – in examples a – c, the unfavorable revenue deficit was caused by a shortfall in state and local receipts. Property taxes were fully collected.

- a. At the end of the fiscal year, the city collected \$90,000 and will turn back \$5,000 of unspent appropriations. The city has a revenue deficit as calculated below:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/(Unfavorable)</u>
Revenue	100,000	90,000	(10,000)
Expenditures	100,000	95,000	5,000
Revenue Deficit			5,000

- b. At the end of the fiscal year, the city collected \$90,000 and will turn back \$15,000 in unspent appropriations. The city does not have a revenue deficit.

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/(Unfavorable)</u>
Revenue	100,000	90,000	(10,000)
Expenditures	100,000	85,000	15,000
Revenue Surplus			5,000

APPENDIX K (cont)

- c. At the end of the fiscal year, the city collected \$90,000 and expended \$105,000 (includes \$5,000 for final court judgments and \$2,500 for snow and ice). Since final court judgments and snow and ice expenditures (with conditions) in excess of their appropriations are legal deficits, they are not included in the calculation of a revenue deficit. The amount to be raised for these is the overdraft, not the entire expenditure. These amounts will be included on the balance sheet as of June 30 as account 001-3595, Unreserved Fund Balance – Final Court Judgments and account 001-3592, Unreserved Fund Balance – Appropriation Deficits respectively.

The expenditures would be:

\$105,000 total expenditures
 Less \$ 5,000 final court judgments
 Less \$ 2,500 snow and ice
 \$ 97,500 total expenditures from appropriations, applicable to a revenue deficit.

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/(Unfavorable)</u>
Revenue	100,000	90,000	(10,000)
Expenditures	100,000	97,500	2,500
Revenue Deficit			7,500

- d. In this example, a city budgeted \$100,000 in total revenues (\$60,000 in property taxes and \$40,000 in state/local revenues). The city collected \$55,000 in property taxes, \$40,000 in state and local receipts and will not be turning back any appropriations. Does the city have a revenue deficit?

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/(Unfavorable)</u>
Revenue	40,000	40,000	0
Revenue – Taxes	60,000	55,000	(5,000)
Expenditures	100,000	100,000	0
Revenue Shortfall			5,000

In his example where the revenue shortfall is due to property tax collections, the city is not required to raise a revenue deficit. As previously explained, there is a basic assumption that because of the lien on the property, property taxes will eventually be collected.

APPENDIX L

Massachusetts School Building Authority (MSBA) Grant Payments

The purpose of this Appendix is to provide guidance on the accounting entries for recording grant payments from the MSBA.

Partial Payments Prior to Permanent Debt Issued

Through its “pay-as-you-build” Progress Payment System, the MSBA will reimburse a local governmental unit (LGU) for eligible project costs during construction. After an LGU enters into a Project Funding Agreement with the MSBA and submits project costs that have been incurred and paid locally, the MSBA audits the submitted invoices and reimburses the municipality or school district for its share of eligible project costs.

EXAMPLE

The LGU receives a school building assistance grant under the “pay-as-you-build” progress payment system for \$6,000,000 to reimburse 60% of the total project costs of \$10,000,000. The LGU will account for the school construction project in the Capital Projects Fund. The LGU issues a BAN for \$4,000,000 to temporarily finance its share of the project.

Budgetary Entries

The LGU will record a budget for the total project costs, revenues and other financing sources based on its certified vote and the Project Funding Agreement with the MSBA.

1. The following entries are made in the general and subsidiary ledgers to record the budget.

General Ledger

350-3810	ESTIMATED REVENUE	6,000,000	
350-3820	OTHER FINANCING SOURCES	4,000,000	
350-3830	APPROPRIATIONS		10,000,000

APPENDIX L (cont)

Subsidiary Ledger

350-5000	Subsidiary Appropriation Control	10,000,000	
350-5820	Buildings		10,000,000
350-4625	MSBA Grant Revenue	6,000,000	
350-4910	Bond Proceeds	4,000,000	
350-4000	Subsidiary Revenue Control		10,000,000

To record budget for the school building project

Memorandum Entry

- The LGU records a memorandum entry to record the amount awarded from the MSBA.

350-3710	MSBA GRANT AWARD	6,000,000	
350-3720	MSBA GRANT AWARD – OFFSET		6,000,000

To record the award of the grant from MSBA

Activity Entries

- The LGU sells bond anticipation notes (BANs) to temporarily finance the construction project. The amount of temporary borrowing will be paid off with proceeds from permanent financing.

General Ledger

350-1040	Cash – Unrestricted	4,000,000	
350-2720	Bond Anticipation Notes Payable		4,000,000

To record receipt of BAN

APPENDIX L (cont)

4. The LGU receives invoices from contractors for work performed on the project.

General Ledger

350-3930	Expenditures	1,500,000	
350-2010	Warrants Payable		1,500,000

Subsidiary Ledger

350-5820	Buildings	1,500,000	
350-5000	Subsidiary Appropriation Control		1,500,000

To record contractor accounts payable

5. The LGU requests a draw down from the MSBA through the “Pro-Pay” web based system for the MSBA share of expenditures (60%).

General Ledger

350-1720	Due from MSBA	900,000	
350-2670	Deferred Revenue		900,000
350-3720	MSBA GRANT AWARD – OFFSET	900,000	
350-3710	MSBA GRANT AWARDED		900,000

To record request for reimbursement from MSBA

6. The LGU receives reimbursement from the MSBA.

General Ledger

350-1040	Cash – Unrestricted	900,000	
350-3910	Revenue		900,000
350-2670	Deferred Revenue	900,000	
350-1720	Due from MSBA		900,000

APPENDIX L (cont)

Subsidiary Ledger

350-4000	Subsidiary Revenue Control	900,000	
350-4625	MSBA Grant Revenue		900,000

To record receipt of MSBA reimbursement

7. The LGU pays the contractors' invoices.

General Ledger

350-2010	Warrants Payable	1,500,000	
350-1040	Cash – Unrestricted		1,500,000

To record payment to the contractors on the MSBA project

8. The LGU sells bonds for its share of the costs of the construction project.

General Ledger

350-1040	Cash – Unrestricted	4,000,000	
350-3920	Other Financing Sources		4,000,000
050-1996	Amounts to be Provided for Payment of Bonds	4,000,000	
050-2912	Bonds Payable – Inside The Debt Limit		4,000,000

Subsidiary Ledger

350-4000	Subsidiary Revenue Control	4,000,000	
350-4910	Bond Proceeds		4,000,000

To record proceeds from the issuance of bonds

APPENDIX L (cont)

9. The LGU pays off BAN with proceeds from the bond sale (assuming the LGU borrowed temporarily its total share of the project of \$4,000,000).

General Ledger

350-2720	Bond Anticipation Notes Payable	4,000,000	
350-1040	Cash – Unrestricted		4,000,000

To record BAN pay down

Lump Sum Payment, Before Permanent Debt Issued

The MSBA may make a lump sum payment to an LGU for a transitional or a new c. 70B school building project before permanent debt is issued. In this situation, the LGU uses the lump sum grant proceeds to pay off the bond anticipation notes when they come due.

EXAMPLE

An LGU receives a lump sum school building assistance grant for \$6,000,000 to reimburse part of total project costs of \$10,000,000. The LGU will record grant revenue in the Capital Projects Fund and must use the lump sum payment to pay off the bond anticipation notes when they come due.

10. The LGU makes the following entry in the Capital Projects Fund to record the lump sum payment.

General Ledger

350-1040	Cash – Unrestricted	6,000,000	
350-3910	Revenue		6,000,000

Subsidiary Ledger

350-4000	Subsidiary Revenue Control	6,000,000	
350-4625	MSBA Grant Revenue		6,000,000

To record lump sum payment from MSBA

APPENDIX L (cont)

11. The LGU makes the following entry when it pays off the bond anticipation notes payable that were previously issued (entry not shown) in the amount of \$6,000,000.

General Ledger

350-2720	Bond Anticipation Notes Payable	6,000,000	
350-1040	Cash – Unrestricted		6,000,000

To record payment of bond anticipation notes

Lump Sum Payment with Interest Reimbursement, Before Permanent Debt Issued

For transitional projects where lump sum payment also includes a component to reimburse interest for temporary debt, the LGU may use as a current budget revenue the amount of the grant that is included as a reimbursement of such interest costs to the extent the costs have been included in the current or prior fiscal years' budgets.

EXAMPLE

The LGU receives a school building assistance grant for \$6,000,000 to reimburse part of total project costs of \$10,000,000. The project costs include \$400,000 of interest on outstanding bond anticipation notes that the LGU has raised in its tax rates while waiting permanent funding. The MSBA grant is reimbursing 60% of project costs.

The LGU may use \$240,000 (60% of \$400,000) as General Fund revenue and in that case would report it on the Tax Rate Recap, page 3 as a non-recurring local estimated receipt prior to tax rate certification by the Bureau of Accounts. The remaining \$5,760,000 of the grant must be used to pay off the bond anticipation notes when they come due.

12. The LGU makes the following entry to record the lump sum payment.

General Ledger

001-1040	Cash – Unrestricted	240,000	
001-3910	Revenue		240,000
350-1040	Cash – Unrestricted	5,760,000	
350-3910	Revenue		5,760,000

APPENDIX L (cont)

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	240,000	
001-4625	MSBA Grant Revenue		240,000
350-4000	Subsidiary Revenue Control	5,760,000	
350-4625	MSBA Grant Revenue		5,760,000

To record MSBA grant reimbursement including reimbursement for interest paid on outstanding bond anticipation notes

- The LGU makes the following entry when it pays off the bond anticipation notes payable (BAN issuance entry not shown).

General Ledger

350-2720	Bond Anticipation Notes Payable	5,760,000	
350-1040	Cash – Unrestricted		5,760,000

To record payment of bond anticipation notes

Lump Sum Payment Received After Permanent Debt Issued

When the MSBA school building assistance grant is disbursed in whole or in part as a lump sum, whether after completion of an audit or otherwise, and the bonds are not retired or refunded, the grant must be reserved and applied over the remaining term of the bond issue to pay the same percentage of each annual principal payment on the recipient's debt for the project.

The LGU has the following two options for reserving the lump sum payment:

- Reserve the lump sum payment in the General Fund;
- Reserve the lump sum payment in a special purpose Stabilization fund for debt service related to the project. If this option is selected, the special purpose Stabilization fund must be established by the LGU under G.L. c. 40, § 5B.

APPENDIX L (cont)

EXAMPLE

The LGU receives a lump sum payment for \$2,500,000 representing the remaining balance of the school building grant. Prior to the lump sum payment, the MSBA was making annual payments. The LGU, years earlier, had permanently financed the entire project with the issuance of a \$10,000,000 bond. The remaining life of the bond is 10 years and the remaining principal balance is \$5,000,000. In this situation, the lump sum payment represents 50% of the remaining balance of the bond payable. Therefore, each year, the LGU will release an amount from the reserve equal to 50% of the maturing debt principal for that year. The LGU will use this amount as budgeted revenue each fiscal year. The LGU Maturing debt principal in the first year subsequent to receiving the lump payment is \$450,000 and interest is \$152,000

Reserve the Lump Sum Payment in the General Fund

By selecting the first option (reserving the lump sum payment in the General Fund), the interest earned on the balance is General Fund investment income.

14. The LGU receives the lump sum payment from MSBA.

General Ledger

001-1060	Cash – Restricted	2,500,000	
001-3910	Revenue		2,500,000
001-3590	Unreserved Fund Balance	2,500,000	
001-3280	Fund Balance Reserved for MSBA Debt Service		2,500,000

Subsidiary Ledger

001-4000	Subsidiary Revenue Control	2,500,000	
001-4625	MSBA Grant Revenue		2,500,000

To record the receipt of the MSBA lump sum payment and set up the related reserve to fund future debt service principal in the General Fund

APPENDIX L (cont)

15. The LGU pays debt service related to the project. Appropriation for principal and interest on the project is assumed.

General Ledger

001-3930	Expenditures	602,000	
001-1060	Cash – Restricted		602,000

Subsidiary Ledger

001-5910	Maturing Principal on Long Term Debt	450,000	
001-5915	Interest on Long Term Debt	152,000	
001-5000	Subsidiary Appropriation Control		602,000

To record payment of maturing principal on long term debt

16. The LGU releases a portion of the reserve as a funding source to pay for a portion of the maturing debt principal (\$450,000 x 50%) for the fiscal year.

General Ledger

001-1040	Cash – Unrestricted	225,000	
001-1060	Cash – Restricted		225,000
001-3280	Fund Balance Reserved for MSBA Debt Service	225,000	
001-3590	Unreserved Fund Balance		225,000

To record MSBA debt reserve applied to fund current year debt service principal

Reserve the Lump Sum Payment in a Special Purpose Stabilization Fund

Selection of option number 2 allows the LGU to appropriate the amount required to be reserved to a special purpose Stabilization fund for debt service related to the project. Under this option, investment income will accrue to the Stabilization fund rather than to the General Fund.

Reserved monies appropriated to the special purpose Stabilization fund remain subject to all grant restrictions and are not available for appropriation for any purpose other than to pay principal on the debt for the project. Appropriations from the fund to pay the principal may be made on a schedule no faster than that authorized if the grant had been reserved in the General Fund.

APPENDIX L (cont)

The LGU may also appropriate the annual earnings of the Stabilization fund to pay interest on the debt. Where a reimbursement is appropriated to a Stabilization fund, interest on the reimbursement may not be used as a local estimated receipt to offset interest costs on the debt and may be appropriated from the Stabilization fund only after it has been earned and is available as part of the fund.

17. The LGU may appropriate the lump sum payment from the MSBA prior to receiving the payment. Under this scenario, the lump sum payment will be deposited directly into the special purpose Stabilization fund.

General Ledger

800-1060	Cash – Restricted	2,500,000	
800-3910	Revenue		2,500,000

Subsidiary Ledger

800-4000	Subsidiary Revenue		
	Control	2,500,000	
800-4625	MSBA Grant Revenue		2,500,000

To record receipt of lump sum payment from the MSBA into the special purpose Stabilization fund

18. The LGU may first receive the lump sum payment from the MSBA in the General Fund and then subsequently appropriate the lump sum payment to the special purpose Stabilization fund. Entry number 14 above will record the receipt of the MSBA grant proceeds in the General Fund and the following entry will be made to record the subsequent appropriation of the reserve to the special purpose Stabilization fund.

General Ledger

001-3970	Other Financing Uses	2,500,000	
001-1060	Cash – Restricted		2,500,000
001-3280	Fund Balance Reserved for		
	MSBA Debt Service	2,500,000	
001-3590	Unreserved Fund Balance		2,500,000
800-1060	Cash – Restricted	2,500,000	
800-3920	Other Financing Sources		2,500,000

APPENDIX L (cont)

Subsidiary Ledger

001-5966	Transfer to Special Purpose Stabilization Fund	2,500,000	
001-5000	Subsidiary Appropriation Control		2,500,000
800-4000	Subsidiary Revenue Control	2,500,000	
800-4971	Transfer from General Fund		2,500,000

To record transfer of balance of the MSBA lump sum payment to a special purpose Stabilization fund

19. The LGU records the first year's investment income to the special purpose Stabilization fund.

General Ledger

800-1060	Cash – Restricted	6,250	
800-3910	Revenue		6,250

Subsidiary Ledger

800-4000	Subsidiary Revenue Control	6,250	
800-4820	Investment Income		6,250

To record first year investment earnings of the special purpose Stabilization fund

20. The LGU votes to transfer an amount to the annual debt service principal (\$450,000 x 50%).

General Ledger

001-1040	Cash – Unrestricted	225,000	
001-3920	Other Financing Sources		225,000
800-3970	Other Financing Uses	225,000	
800-1060	Cash – Restricted		225,000

APPENDIX L (cont)

Subsidiary Ledger

800-5961	Transfer to General Fund	225,000	
800-5000	Subsidiary Appropriation		
	Control		225,000
001-4000	Subsidiary Revenue		
	Control	225,000	
001-4976	Transfer from Special		
	Purpose Stabilization Fund		225,000

To record transfer to General Fund to fund a portion of debt service related to the MSBA school building project

21. In Year 2, the LGU votes to transfer the amount of interest earned in Year 1 to the General Fund to fund interest on long term debt.

General Ledger

001-1040	Cash – Unrestricted	6,250	
001-3920	Other Financing Sources		6,250
800-3970	Other Financing Uses	6,250	
800-1060	Cash – Restricted		6,250

Subsidiary Ledger

800-5961	Transfer to General Fund	6,250	
800-5000	Subsidiary Appropriation		
	Control		6,250
001-4000	Subsidiary Revenue		
	Control	6,250	
001-4976	Transfer from Special		
	Purpose Stabilization Fund		6,250

To record interest income earned in the special purpose Stabilization fund to the General Fund for interest on long term debt

Lump Sum Payment Received as part of an Advanced Refunding of Bonds Transaction

Advance refunding is a financing technique that allows an issuer to obtain the benefit of lower interest rates when the outstanding bonds are not currently callable. The proceeds from the sale of the refunding bonds are used to purchase taxable

APPENDIX L (cont)

government securities which are deposited in an escrow account. The escrow account is structured so that the principal and interest earned on the securities are sufficient to pay all principal, interest and call premium, if any, on the outstanding bonds up to and including the call date. The refunding bonds are secured by the same sources of taxes or revenue previously pledged to the payment of the outstanding bonds.

In some cases, the MSBA provides a lump sum payment to the LGU to fund its portion of the advanced refunding bonds. The LGU will record the lump sum payment as revenue in a Special Revenue Grant Fund and disburse the money to the escrow account in accordance with the provisions of the advanced refunding agreement.

APPENDIX M

A Self-Insured Health Care Trust Fund

How to Set Up the Ledgers

At a minimum, the Health Claims Trust Fund should be its' own fund and not co-mingled with other trusts. It is also recommended that separate funds be used to distinguish between health claims and dental claims. In some instances, communities have established one fund for the employer contributions and a separate fund for the employee/retiree/surviving spouse/cobra members. As long as the allocation of the contributions and expenses are in accordance with the established rates, then this method is acceptable. For financial reporting purposes, these separate funds will be consolidated.

Within the ledgers, the following accounts may be required based on the type of plan adopted.

Assets

Cash and Investments – The Treasurer will either set up separate bank and investment accounts or allocate funds from the pooled accounts to record the receipts and disbursements of the Health Claims Trust.

Working Capital Deposit – This account is a short term asset held by a third party administrator that provides liquid assets in order to meet the current claims due.

Due from Claims Administrator – This account is used to record the amount due from the claims administrator based on the monthly or quarterly reconciliation of a level monthly payment plan. This asset would normally only be recorded at year end.

Due from Stop Loss Insurer – This account is used to record the estimated reimbursement due for claims in excess of the stop loss for the period then ended. This asset would normally be recorded at year end.

Due from Other Funds – This account will be used to record any receipt due the Trust but deposited in a general cash or investment account.

Prepaid Expenses – This account will only be used in the event that a payment was made from the Trust before the expense was incurred.

Warrants Payable – This account is used to record payables in the same manner as all other funds. Among other payables, it would include the amount billed for the previous month's claims paid by the administrator for a working capital deposit plan. It would not include the level monthly payment for the next month. Care needs to be taken at year end to not include the July level monthly payment in the last June warrant.

APPENDIX M (cont)

Due to Claims Administrator – This account is used to record the amount due to the claims administrator based on the monthly or quarterly reconciliation of a level monthly payment plan. This liability would normally only be recorded at year end.

Incurred But Not Reported Liability (IBNR) – This account is used to estimate the probable liability of claims and related administration charges that have been incurred but have not been reported. This liability will not include any amount due the claims administrator as these amounts have been reported. This liability should be adjusted annually based on the current activity, but the liability should not be reversed in order to properly report net assets through out the fiscal year.

Prepaid Employee Contributions – In most cases, communities withhold from the employee their health insurance contribution in the current month for the next month's premium. Therefore the withholding made in June is for July's premium and coverage. The Trust has not earned that revenue until the coverage period. This liability is at its highest in June as additional payrolls are run to cover teachers' summer pay which could have up to three months of prepaid employee contributions. This liability would normally only be recorded at fiscal year end and is reversed in July.

Prepaid Employer Contributions – The employer and employee should match contributions in the month that the premium is due and earned. Therefore the employer would transfer their share of the premium due for July in July. This would match the employee contribution withheld for July in June. The employer also should only have 12 monthly contributions in any given year.

In practice for most communities as of the date of this Manual, the employee and employer prepaid contributions have not been recorded on the ledger and in most cases not on the audited financial statements. The accounting approach adopted may be to record 12 monthly contributions for both the employee and employer which provides for an accurate representation of the statement of changes in net assets for the fiscal year. Since the Health Claims Trust has reported these contributions as current revenue, the net assets are overstated. The accounting becomes problematic when decisions are made to allow for premium holidays because net assets appear too high or when the community switches from self-insured to premium based.

When deciding whether to grant a premium holiday when determining the funding requirements to close out a Health Claims Trust Fund, an allowance for any potential prepaid amount should be recorded as current revenue.

APPENDIX M (cont)

Net Assets

The components of net assets are shared between the employer and employee/retiree based on the contribution rates established. If all contributions were made and expenses allocated in accordance with the established rates then the ending net assets would be allocated in the same manner. If the actual activity did not follow the rates, then the Accountant must analyze the activity to properly allocate this imbalance as part of the closing process.

Net Assets – Employee Share – This will represent the employee's share of any positive or negative net assets. This should equal the established contribution rate.

Net Assets – Employer Share – This will represent the employer's share of any positive or negative net assets. This should equal the contribution rate.

Net Assets – Employer Additional Contribution – In the event that this fund experiences a deficit in net assets at the end of the fiscal year, the employer is required to eliminate the deficit through an immediate additional contribution. When this contribution is made, there is not immediate employee contribution based on the contribution rate previously established. The balance in this account will be reduced if the future rates are adjusted in accordance with the legislation.

Revenue Accounts

We recommend establishing separate revenue accounts for each different type of employee./retiree contribution. The benefits will be to simplify the reconciliation and provide the proof that the actual contributions are in accordance with the established rates.

Employee Contributions from Payroll Withholding – This will report the actual current employee withholdings.

Employee Contributions Direct – This will report any direct payment of a current employee's contribution. These accounts do not have to be separate, but we recommend this in order to simplify the reconciliation procedures.

Employee Contributions Leave of Absence – This will report the direct payment received for an employee on a leave of absence. Normally, the employee will pay 100% of the premium but will not have to pay an administration fee required from ex-employees on COBRA.

APPENDIX M (cont)

COBRA Contributions – This will report all amounts paid directly for ex-employees who elected to remain covered by the community's plan.

COBRA Administration Fee – This will report the administration fee that is allowed to be charged.

Retiree Contributions – This will report the retiree contributions received from the retirement system.

Retiree Contributions Direct – This will report the retiree contributions received directly from the retiree.

Surviving Spouse Contributions – This will report the surviving spouse contributions received from the retirement system. A separate account is needed if the employer's contribution rate for a surviving spouse is different than a retiree.

Surviving Spouse Direct – This will report the surviving spouse contributions received directly from the surviving spouse. A separate account is needed if the employer's contribution rate for a surviving spouse is different than a retiree.

Employer contributions should have different accounts established for the General Fund, each Enterprise Fund and at least one for grant funds. It is recommended that a separate revenue account be established for each different level of contribution rates. For example, if the General Fund contribution rate is a 75/25 split for current employees and a 50/50 split for surviving spouses, then it would be prudent to have two accounts.

Employer Contribution General Fund – This would report all matching contributions for all employees/retirees/surviving spouses that have the same contribution rate. A second account would be established if there are different contribution rates.

Employer Contribution Enterprise Fund – This would report all matching contributions for all employees/retirees/surviving spouses that have the same contribution rate. A second account would be established if there are different contribution rates or if there are more than one enterprise fund.

Employer Contribution Grants – This would represent all matching contributions for all employees/retirees/surviving spouses that have the same contribution rates. A second account would be established if there are different contribution rates.

Investment Income – This will report the investment earnings of the fund.

APPENDIX M (cont)

Expense Accounts

We recommend separate accounts be established for all different self-insured plans carried by each commercial insurer. It is also recommended that separate accounts be used for each commercial administrator to break down the claims paid account for the administration charge.

Claims Expense – This will report all expenses related to claims paid for this plan. It will include both all payments and any receipts received for the level monthly payment plans periodic reconciliation. Additional accounts will be added for each different type of plan and the same for each commercial administrator.

Administration Expense – This will report all expenses related to claims paid for this plan. Additional accounts will be added for each different type of plan and the same for each commercial administrator.

Incurred But Not Reported Expense – This will report the expense related to the estimated claims and administration not currently known and is offset to the liability recorded in the statement of net assets.

Stop Loss Insurance Premium – This will report the premium expense paid for stop loss insurance.

Stop Loss Reimbursements – This will report as a negative expense all stop loss reimbursements received or due.

Insurance Advisory Expense – This will report any expenses related to engaging an outside insurance advisor.

Payroll Internal Administration – This will report any payroll charges allocated to the Health Claims Trust to manage the operations.

Fringe Benefits Internal Administration – This will report any fringe benefits charges related to community employees paid as part of the payroll charges above.

Other Expenses – Accounts will be set up for any other operating or capital charges related to the operation of the Health Claims Trust as needed.